

A Study into the Direct Export Stage of the  
Internationalization of Manufacturing Small to  
Medium Sized Enterprises from China: The  
Influence of Experiential Knowledge and  
Entrepreneurial Input on the Perception of  
Barriers to Export

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## Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas. Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed ..... Date .....

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## Abstract

The Uppsala Process Theory of Internationalization (PTI) and the International New Venture Theory of Internationalization (INV) are two of the most influential and well researched behavioural theories of internationalization to have emerged from the internationalization literature stream. They offer alternative descriptions of the path that enterprises take to internationalization and have both led to streams of literature focusing on different aspects of the internationalization process. Both models explain how an enterprise moves from an initial 'low' domestic starting point and progresses to become an international enterprise. The two models both explain the behaviours and attributes that are necessary in order to successfully develop along their respective predicted international trajectories.

These behaviours and attributes highlighted within each model are said to be highly influential in helping to overcome and/or mitigate the barriers on the predicted trajectory to internationalization. However, the impact that these behaviours/attributes have on the perception of barriers to export has rarely been tested directly. This research is designed to investigate the relationship between experiential knowledge (a fundamental concept within the PTI model) and entrepreneurial input (a fundamental concept within the INV theory), on the perception of a range of selected barriers to manufacturing export, from the Chinese province of Ningxia.

This research developed a conceptual framework and testable models based on experiential knowledge and entrepreneurial input. It then identified a selection of barriers to manufacturing export from the Chinese province of Ningxia. These were selected from the export barrier literature stream. This research took a positivist view and quantitative data was obtained from the use of structured self-administered questionnaires administered through judgement sampling techniques at business seminars and consultancy sessions. A total of ninety-eight valid responses were used for quantitative analysis. Correlation and regression techniques were used to analyse the data and new combined models from the experiential knowledge and entrepreneurial input model variables were developed using Stepwise Regression.

The study found, in the majority of cases, that as the individual experiential knowledge and entrepreneurial input model variables increased, the perception of difficulty of the individual selected barriers to export decreased. The experiential knowledge model could best explain the reduction in the perception of twelve of the barriers to export, whereas the entrepreneurial input model could best explain the reduction in the perception of six different barriers. Of the eighteen

selected barriers to export, the constructed combined models better explained the reduction in the perception of the individual barriers to export in thirteen cases. Other findings of this research include; the 'export intensity' variable best explained the reduction in the perception of nine of the eighteen barriers to export; the 'attitude to risk' variable best explained the reduction in the perception of four barriers; the 'years of international involvement' best explained the reduction in the perception of two barriers, and finally the 'level of education of the decision maker' variable best explained the reduction in the perception of two barriers, which included the 'identification of new markets' and 'overcoming unfamiliar documents and procedures' barriers. The research ends with a discussion of SME development policy in the light of the research findings.

## **Keywords**

Internationalization, Export Development, Small to Medium Sized Enterprise, Process Theory of Internationalization, Experiential Knowledge, International New Venture, China

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# Chapter One – Introduction

## 1.1 The Context of this Research

One of the main outcomes of the opening up and liberalization of the Chinese economy was the tremendous growth in smaller firms (Anderson, Li, Harrison and Robson, 2003; Liu, 2007), which rose to over 42 million SMEs in 2007, and which consisted of 4.6 million registered SMEs and 38 million individually owned SMEs (Zhao, 2010). Significantly, by 2008, SMEs accounted for over 99% of the total number of Chinese enterprises, 58% of China's GDP, 46% of tax income, 62% of China's export value and provided 60% of industrial output (Chen, 2012). SMEs, therefore, play a highly significant role within the Chinese economy and have the potential to become the main players in the future. This has been recognised by the State which has introduced a series of measures, particularly over the last decade, to support and stimulate the development of SMEs. This growth, in both the number and importance of SMEs, highlights the potential that SMEs have, not only to stimulate local development and the local economy, but also, in time, to drive the Chinese economy.

It has been argued that too few Chinese SMEs expand abroad; a major reason is that too few SMEs grow large enough domestically to develop the competitiveness that is required in overseas markets. This problem appears to be a general feature of Chinese enterprises, particularly family enterprises (Jansson, Soderman and Zhou, 2008). Furthermore, SMEs that do internationalize often fail to flourish and fail to develop much beyond the initial stages. Organisations often become stuck in the internationalization process concentrating instead on high levels of exports (Jansson, Soderman and Zhou, 2008). Indirect export is common within the Chinese SME sector, where the use of an intermediary can overcome many of the barriers associated with the early internationalization process. Although, the indirect export stage can provide an intermediate stage or steppingstone on the way to direct export, an overreliance on indirect export has the potential to arrest the further development of manufacturing SMEs towards full direct internationalization (Sandberg, 2008; Naude and Rossouw 2010). Indirect export through an intermediary can limit experiential and spill-over knowledge which could help to explain why many Chinese SMEs never progress to the direct export stage (Jansson, Soderman and Zhou, 2008; Naude and Rossouw, 2010; Sandberg, 2008).

Despite these problems, manufacturing exports will continue to be the cornerstone of the Chinese export-led economy in the foreseeable future (Fernando, 2010), and Chinese manufacturing SMEs have the potential to play a significant part as they account for just 40% of manufactured exports (Cao, Hartung, Forrest and Shen, 2011). This research will focus on manufacturing SMEs that are interested in undertaking and developing direct export but currently are only involved in the domestic market or indirect export. It will seek to investigate the perceptions of a sample of Ningxia manufacturing SMEs decision makers who are considering undertaking direct export, to a range of selected barriers to direct export, using models developed from a combination of internationalization theories, and a range of barriers to SME export identified from the export barrier stream of literature.

Barriers to exporting can be defined as “All those attitudinal, structural, operational and other constraints that hinder the firm’s ability to initiate, develop, or sustain international operations” (Leonidou, 1995a, p.31). They can emanate from within the organisation (internal barriers) or from the environment in which they operate (external barriers). Internal barriers are usually associated with organisational resources and marketing functions. External barriers stem from the domestic and foreign markets within which the organization operates (Leonidou, 2004). Barriers to exporting can often be responsible for the failure of many enterprises in their foreign business ventures, resulting in financial losses and negative attitudes towards internationalization. It follows that removal or minimization of these barriers can lead to higher export intensity and improved performance (Bilkey, 1978). Whilst these barriers play an important role, in themselves they do not prohibit or inhibit an enterprise’s path to internationalization. Other factors are responsible for making these latent barriers operative and these are usually associated with the characteristics of the manager/decision maker, the organisation, and the environment in which the enterprise operates (Cavusgil and Nevin, 1981). For example, a particular type of knowledge or a particular mind set may reduce or remove specific barriers, which may enable internationalization to take place.

Leonidou (2004) considered the impact of a range of export barriers, extracted from a systematic review of thirty two empirical studies, faced by SMEs in advanced economies. He categorised them into their degree of importance. However, it has been argued that the pattern of Chinese outward internationalization is different to that seen from developed countries (Jansson 2007; Liu, Xiao and Huang, 2008; Mathews, 2006; Yamakawa, Peng and Deeds, 2008) and that the barriers that Chinese SMEs face may be different from those in developed countries (Cardoza and Fornes, 2011). Tesfom

and Lutz (2006) concluded that it was not the types of barrier that differed between developed and developing countries but the environment in which the SME operated. It is for this reason that this research will consider the Chinese environment and the significant changes that small to medium sized enterprises (SMEs) have faced over the last decade, and will then seek to adapt and operationalize export barriers to reflect more accurately the Chinese context, in particular, the difficulty in raising capital for development, language and cultural differences, and the importance that personal and business networks play within Chinese society.

Two of the most important and influential internationalization theories to come out of the internationalization literature are the Uppsala Process Theory of Internationalization (PTI) and the International New Venture (INV) theory (Autio, 2005). These alternative models are theoretical approaches designed to explain the process or trajectory that firms follow as they move from an initial 'low' domestic starting point and progress to become an international enterprise. These two behavioural models are particularly suited to this research, which focuses on the perception of barriers to export, and how these barriers are mitigated or overcome by the actions, behaviour and attributes of the decision maker(s).

The Johanson and Vahlne 'Uppsala' or so-called Process Theory of Internationalization (PTI) model (1977, 1990), was produced to explain the gradual and incremental stages of internationalization. The PTI model is a dynamic model and as knowledge and resources increase over time, perceptions change and perceived risk decreases, allowing internationalization to take place. The organization's gradual acquisition, integration and utilization of experiential knowledge (a resource based view) about operations and new markets lead to a gradual increase in commitment to new foreign markets. Importantly, the PTI model implies that experiential knowledge is a key regulator of resource commitment to foreign markets and thus internationalization is constrained by a lack of experiential knowledge (Autio, Sapienza and Almeida, 2000). This model has its roots in organizational theory (Cyert and March, 1963) and the decision making process takes place at an organizational level through key personnel in the organization. Nordstorm and Vahlne (1994) suggested that most empirical studies seemed to validate the Process Theory of Internationalization, although some reports had indicated that there was an increased tendency for organizations to leapfrog stages or move to psychically distant markets at an earlier stage. In an investigative review of small firm internationalization literature, Fillis (2001) concluded that SME behaviour was mostly described using process/stage theory and despite its validity being continually questioned, it appeared to be the most dominant paradigm of SME internationalization. It has been suggested that

this model is especially useful when considering the early stages of internationalization, although additional insights are required at the pre-internationalization stage i.e. the domestic phase (Tan, Brewer and Liesch, 2007).

The PTI model's inability to explain rapid entrepreneurial internationalization, which was often international from the outset, led to Oviatt and McDougall (1994) developing the 'International New Venture' (INV) theory. Oviatt and McDougall (1994; p.40) defined an INV as, "A business organization that from inception seeks to derive significant business competitive advantage from the use of resources and the sale of output in multiple countries". This definition largely focused the study of international entrepreneurship on the internationalization of newly founded ventures that were necessarily small and young. A later definition of INV, proposed by McDougall and Oviatt (2000), adopted a more generic definition that could equally be applied to both INV's and more established companies and focused more on entrepreneurial '*qualities*' rather than the particular age of the organization at initial internationalization (Zahra, 2005). International entrepreneurship was defined as "A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations" (McDougall and Oviatt, 2000; p.903). This description of international entrepreneurship focuses on the behavioural aspects of the entrepreneur, including the attitude to risk and the ability and knowledge to act in an innovative and proactive way.

The PTI and INV process theories of internationalization offer alternative descriptions of the path that enterprises take to internationalization and have led to different streams of literature focusing on different aspects of the internationalization process. Autio (2005) concludes that despite areas of tension, the two frameworks appear complementary rather than contradictory. It is the intention of this research to operationalize these two theoretical models into testable models that can be tested empirically, against the reduction in the perception of selected barriers to export in the Chinese context.

Both the PTI and INV internationalization theories describe how enterprises overcome the barriers or obstacles to allow them to internationalize. In the former case it is through an accumulation of resources and experiential knowledge, and in the latter case it is through the entrepreneurial input of the decision maker. This research is designed to examine the relationship between experiential knowledge (a key component of the PTI model) and entrepreneurial input (a key component of the INV model), on the perception towards selected barriers to SME manufacturing direct export in the

Chinese province of Ningxia. Experiential knowledge (a fundamental element of PTI theory) will be operationalized and tested using three predictor variables. This will reflect the fundamental expectations within the PTI model that experiential knowledge accumulation, over time and through practical experience, reduces barriers to further expansion. Similarly, entrepreneurial input (a fundamental element of INV theory) will be operationalized and tested by three predictor variables. This will reflect the fundamental expectations within the INV model that it is the background and behavioural aspects of the entrepreneur that enable the entrepreneur to overcome perceived export barriers in the pursuit of opportunities.

Although Elango and Pattniak (2007) suggest that the PTI (Uppsala) model should be particularly suitable for researching emerging market firms still in their early stages of internationalization, Chinese enterprises have often been found only partially to follow the predicted PTI path. For example, Zou and Ghauri (2010) concluded in a learning case study of the internationalization of new high-tech ventures, that the gradual internationalization model was still valid although high-tech firms tended to internationalize faster than earlier studies had suggested, and did not follow the process suggested by 'born global' studies (INV theory). Liu et al. (2008) found some support for both the Uppsala PTI and INV theories in privately owned Chinese SMEs, but concluded that previously developed theories could only partially explain the internationalization of indigenous privately owned enterprises. This could be understood by the 'bounded entrepreneurship' exhibited by indigenous Chinese entrepreneurs. Entrepreneurs were limited by their low education and experience and by the unfavourable institutional arrangements that were embedded in a transitional and emerging country. This bounded entrepreneurship may be a key influence on the unique internationalization patterns and competitive positions of such enterprises (Liu et al., 2008).

A call for theory development and new models of internationalization have been made by a number of researchers including Fillis (2001), Johanson and Vahlne (2003) and Meyer and Gelbuda (2006). It has been suggested that the Uppsala PTI is too simplistic in only having a single construct (experiential knowledge) to explain the internationalization process (Blomstermo and Sharma, 2003). According to Fillis (2001, p.767), "In order to move theory forward, both testing of existing conceptualizations and forming of new frameworks based on industry specific studies is needed". This research will consider the early export stage of the internationalization process from both the Uppsala PTI and the INV theory approaches.

From this research, it will not only be possible to identify which model is best able to explain the reduction in the perception of each individual barrier but also will lead to the creation of new combined models which can produce even better explanations for the reduction. Combined models based on experiential knowledge and entrepreneurial input will be closer to the real life situation where organizations and decision makers use a range of attributes, skills and resources on a daily basis. These together will influence the perception towards the selected barriers to SME manufacturing direct export.

Finally, analysis of the results will provide evidence for the most appropriate SME policy development and formulation in the future.

This research has been designed to statistically test models developed from PTI and INV theory, separately and in combination. This new approach will lead to the development of new models that help to best explain the reduction in the perception of individual export barriers. This approach will also help to highlight individual actions, characteristics and attributes that are associated with a reduction in the perception of the individual barriers.

This research focuses not just on the instrumentality of the established PTI and INV models but seeks to generate evidence of the connection with the mind-set of the enterprise decision makers. In particular, can evidence be generated to determine that an increase in the variables adopted from the PTI and INV models are associated with a reduction in the perception of difficulty of individual barriers to export, leading to an increase in confidence that barriers to export can be surmounted?

## **1.2 The Aim of this Research**

The aim of this research is to investigate whether models based on experiential knowledge and entrepreneurial input, developed from the PTI and INV models respectively, can be used to explain a reduction in the perception towards selected barriers to SME manufacturing direct export from the Chinese province of Ningxia.

In order to do this, it will be necessary to develop two individual testable models based on experiential knowledge (developed from the PTI model) and entrepreneurial input (developed from the INV model) respectively, which can be used to test against the perceptions of identified export barriers.

### **1.3 Research Objectives**

- To investigate the association between the variables contained within the experiential knowledge and entrepreneurial input models, and the perception of difficulty in overcoming selected barriers to direct export.
- To determine whether the experiential knowledge model or the entrepreneurial input model has the best explanatory power in the reduction of the perception of the selected individual export barriers to direct export.
- To develop combined models based on the variables from within the experiential knowledge and entrepreneurial input models that have a greater explanatory power in the reduction of the perception of the selected individual direct export barriers.

### **1.4 Research Questions**

- Do the variables contained within the experiential knowledge model exhibit a negative relationship with the selected individual barriers to direct export?
- Do the variables contained within the entrepreneurial input model exhibit a negative relationship with the selected individual barriers to direct export?
- Does the experiential knowledge model or the entrepreneurial input model have the greater explanatory power in a reduction in the perception of difficulty of individual selected barriers to direct export?
- Can combined models constructed from the variables within the experiential knowledge and entrepreneurial input model models, have a greater explanatory power in the reduction of the perception of difficulty of individual direct export barriers than the individual models alone?
- Which variable from within the combined experiential knowledge and entrepreneurial input models has the biggest contribution in the explanatory power in the reduction of the perception of difficulty of the greatest number of individual selected barriers to direct export?

### **1.5 Population and Sample Overview**

The research will be undertaken in the province of Ningxia, China, and will focus on manufacturing SMEs within Ningxia. The definition of an SME which will be adopted is the current official definition, which is based on that used by the National Bureau of Statistics (2008). The research will adopt a

non-probability judgmental method of sampling and will be based on a locally translated, structured, self-administered questionnaire. The SMEs which will be studied will be taken from within three economic development zones within Ningxia.

## 1.6 The Reasons for Choosing to Study Ningxia, PRC

The recent rapid growth and development of the Chinese economy has followed on from the opening up of its markets, entry into the WTO (2001) and a greater liberalisation of trade and economic policies. This has focused attention on the development of China and the impact of China on the global economy. The importance of SMEs on the development of the Chinese economy has been described above. This research focuses on manufacturing SMEs in the Chinese province of Ningxia.

The Chinese province of Ningxia is situated in the Northern Central region of China. It is one of the least developed provinces in China, which is highlighted in the tables below (figure 1.1 to 1.3).

**Figure 1.1: Chinese Comparative Province Statistics 1**

Province	Percentage of total registered SME legal entities in the province
Ningxia	0.2%
Zhejiang	10.4%
Jiangsu	11.6%
Shanghai	8.9%
Guangdong	9.9%

China Statistical Yearbook (2011)

**Figure 1.2: Chinese Comparative Province Statistics 2**

Province	Percentage of total manufacturing legal entities in the province
Ningxia	0.22%
Zhejiang	13.2%
Jiangsu	15.37%
Shanghai	4.13%
Guangdong	11.44%

China Statistical Yearbook (2011)

**Figure 1.3: Chinese Comparative Province Statistics 3**

<b>Province</b>	<b>Population (millions) in 2010</b>	<b>Percentage provincial trade share of national total (exports) for 2010</b>	<b>GDP per capita (RMB) for 2010</b>
<b>Ningxia</b>	6.3	0.08%	26,080
<b>Zhejiang</b>	54.4	11.5%	50,024
<b>Jiangsu</b>	78.7	17%	52,000
<b>Shanghai</b>	23	12%	73,297
<b>Guangdong</b>	104.3	28%	43,597

China Statistical Yearbook (2011)

Compared to the other four coastal provinces in the table above, Ningxia has a much smaller population, a much smaller volume of exports, and a much lower GDP per capita.

Ningxia only undertakes a relatively small amount of export activity. Some researchers have suggested that countries and areas in the early stages of development may exhibit a more PTI model type of internationalization (Elango and Pattnaik, 2007). Reasons for this may derive from low value chain production which is labour intensive, requires limited technology to manufacture and the products produced are not technologically cutting edge and therefore do not require fast access to large markets. A lower general educational system may also hinder the acquisition and use of knowledge which may result in the need for a gradual accumulation of skills and knowledge in order to develop into new international markets. The level of entrepreneurship may also be lower due to the lack of development and encouragement of entrepreneurial skills. These factors may have a particular bearing on the results obtained within the province of Ningxia and may be less significant in the more developed Eastern provinces of China. Enterprises in Ningxia have less international exposure, access to fewer established national economic and technological development zones, and may be less committed to overseas markets when compared to enterprises in the Eastern provinces. Enterprises may also have been established longer without international involvement, which may also hinder their international development. This delay in international involvement can lead to “Competency traps” which can narrow their future opportunities (Cohen and Levinthal, 1990). Autio et al. (2000) have argued that new ventures have learning advantages of newness which allow a far more rapid uptake of new ideas and competencies and avoid having to unlearn old procedures before adopting new ones.

Based on this background, the province of Ningxia is at an early stage of export development and penetration, and is an ideal location to study the perceptions towards barriers to manufacturing

export. Due to its relatively early stage of manufacturing development, it will provide a valuable insight into developing economies at this stage of their development.

## **1.7 Structure of this Thesis**

This thesis has a further eight chapters, which are outlined below.

Chapter two begins with an overview of China in the global market place and then continues by considering small to medium sized enterprises (SMEs). The SME sections consider the various definitions of SMEs, the expansion and development of SMEs in the global economy, and the future development of Chinese SMEs with a particular focus on those in the manufacturing sector. The chapter concludes by considering the role that government policy and government support plays in the development of SMEs.

Chapter three begins with a literature review of internationalization models, with a particular focus on the behavioural internationalization models and the internationalization of SMEs from emerging markets. This chapter then considers the role of experiential knowledge and organizational learning before focusing on the Uppsala Process Theory of Internationalization. This is followed by a consideration of the attributes and role of the entrepreneur in the internationalization process, before focusing on the International New Venture Theory (INV) in greater detail. Finally the chapter will consider the early stages of internationalization, international export, export development models and the barriers and drivers to SME international export. This chapter will help to place the Uppsala PTI and INV behavioural models of internationalization within the internationalization literature framework, highlight the important roles of experiential knowledge and entrepreneurial input respectively, within the models, and the review of the barrier literature will help to highlight suitable barriers that can be considered for use in this research, when considering Chinese manufacturing SMEs in the province of Ningxia, China.

Chapter four draws on the previous chapters in order to develop the conceptual framework for this research and to create testable models based on experiential knowledge (a fundamental element of the PTI model) and entrepreneurial input (a fundamental element of the INV model). The final part of this chapter is devoted to the identification of SME export barriers that are the most appropriate and suitable for this research.

Chapter five considers in detail the methodology that will be adopted in this research. It begins by considering the various philosophical research approaches that could be adopted for this research and concludes by determining which research philosophy is best able to help meet the research aim, objectives and questions proposed in this research. The various research methods suggested by this approach are then considered in detail and the choices that are made are justified in the light of the discussion.

Chapter six considers the data analysis techniques that are available, and highlights the most appropriate statistical techniques for handling the data that the research has produced, in order to answer the research questions and hypotheses and meet the aims and objective of the research.

Chapter seven consists of a summary of the key results from the statistical analyses. The results from the individual statistical tests can be located in appendix one, two, three and four.

Chapter eight begins with a review of the research objectives, questions and hypotheses. Discussions follow about the relationship between the variables within the experiential knowledge model and the selected barriers to export, and then the variables within the entrepreneurial input model and the selected barriers to export, based on the correlation analysis data. This is followed by a discussion about the relative explanatory capabilities of the experiential knowledge and entrepreneurial input models. A discussion then takes place about the relative explanatory capabilities of the newly produced combination models. Thereafter, a discussion follows of the relative variable contributions within the constructed combined models. These discussions will allow the research objectives, questions and hypotheses to be answered. Finally, a discussion of practical and policy considerations using the findings of this research is then undertaken.

The final chapter draws conclusions from the whole research project based on its aim and objectives, the methods adopted to achieve them, and the major findings. The contribution of the project to research knowledge is considered, as is the use of this approach in consideration of policy development. Limitations of the research are also acknowledged along with a consideration of future research in this area.

# Chapter Two - Chinese SMEs in the Global Economy

## 2.1 China in the Global Market Place

The importance of international trade to a nation's economic welfare and development can be traced back to the work of Adam Smith (1776), who expounded his ideas of absolute advantage and free trade. In essence, economies need to export goods and services in which they have a competitive advantage, in order to finance imported goods and services which they are unable to produce or produce competitively (Coutts and Godley, 1992; McCombie and Thirlwall, 1992). Free market economies would then automatically produce the best and most efficient outcomes.

The strength of a nation's economy has often been gauged by its overall gross domestic product (GDP), which has led to a focus on exports and culminated in export led growth theory and strategies. It can be argued that other things being equal, an increase in export sales will increase the GDP of a nation, which in turn will provide stimulus to the economy and the prosperity of the nation. Furthermore, it has been argued that an improving export performance can stimulate a nation's economy through technological spill overs and other related favourable externalities (Marin, 1992). Greater productivity can then increase exports further which will then result in an upward spiral cycle (McCombie and Thirlwall, 1994). In short, export led growth theory predicts that export growth will result in economy wide productivity gains through enhanced levels of GDP (Morgan and Katsikeas, 1997a).

The rise in free markets, the swing to liberalisation, and the liberal paradigm that has gained momentum over the last three decades has resulted in an explosion in international trade and the rise in the phenomenon of globalisation and even hyper globalisation (Friedman, 2000). The effects are far-reaching and complex. Indeed, as Friedman (2005) contends, the world will increasingly become 'flat' and international competition will intensify with all that it entails. This rise in globalisation and the influence of global institutions and corporations has accelerated the reduction of barriers and protectionism, not only in developed economies, but also in developing economies.

One of the main forces behind trade liberalisation has been the World Trade Organization (WTO), which was born in 1993 out of the General Agreement on Tariffs and Trade (GATT) treaty, which itself had been developed following the second world war, to stimulate trade. According to the WTO, it is based on a system of rules dedicated to open, fair and undistorted competition. It discourages the use of quotas and other measures used to set limits on quantities of imports. Its main mission is to ensure trade flows as freely as possible and although there is no specific call for total or complete free trade, (there are protection safeguards, waivers, exceptions and liberalisation exceptions for third world countries), for many it is the ultimate goal to achieve the maximum benefits of free trade (WTO, 2008). This multi-lateral trading system enshrines the GATT principle of non-discrimination within the most favoured nation and national treatment policies and incorporates binding and enforceable commitments.

Although some emerging countries have struggled to take advantage of newer and freer markets, and some may even have been disadvantaged (Stiglitz and Charlton, 2007), some emerging countries have been far more successful, notably many East Asian nations.

China's policy of reform and economic openness has unlocked unprecedented levels of growth and development (Tisdell, 2009). An abundant supply of cheap labour, the State's 'Go Global' policy (1999), accession to the WTO (2001), the opening up of new markets both at home and abroad, and the acquisition of new skills and technologies have all played a part. It has been argued that although China does not have the cheapest workforce in the world (compared to the poorer countries of South East Asia and Africa), it is the world's workshop because it is situated in a relatively stable part of the globe and offers the world's manufacturers a reliable, docile and capable industrial workforce, overseen by government enforced discipline (Fishman, 2006). According to Enderwick (2009: p7), "China is now acknowledged as the world's workshop and India as the global back office". In 2005, foreign invested companies accounted for more than half of total Chinese exports and China has become one of the world's largest exporters (EU, 2008). Exports from China to the rest of the world rose by approximately 152% between 2003 and 2008, although 2009 saw a slight decrease of 8% over the previous year (EU, 2010). These exports represented 7.9% of the world's exports in 2003, 12.2% in 2008 and 13.9% in 2009 (EU, 2010).

The table below shows China's export and import growth.

**Figure 2: Chinese Global Trade Growth (\$ billion)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Exports</b>	266.1	325.6	438.2	593.3	762.0	968.9	1,217.8	1,430.7	1,201.6	1,577.9
<b>% Change</b>	6.8	22.4	34.6	35.4	28.4	27.2	25.7	17.5	(16.0)	31.3
<b>Imports</b>	243.6	295.2	412.8	561.2	660.0	791.5	956.0	1,132.6	1,005.9	1,394.8
<b>% Change</b>	8.2	21.2	39.8	35.9	17.6	19.9	20.8	18.5	(11.2)	38.7
<b>Total</b>	509.7	620.8	851.0	1,154.6	1,421.9	1,760.4	2,173.7	2,563.3	2,207.5	2,972.8
<b>% Change</b>	7.5	21.8	37.1	35.7	23.2	23.8	23.5	17.9	(13.9)	34.7
<b>Balance</b>	22.6	30.4	25.5	32.1	102.0	177.5	261.8	298.1	195.7	183.1

China Statistical Yearbook (2011)

FDI out of Mainland China, although still relatively low in global terms, rose from approximately \$5.5bn in 2004 increasing to \$22.5bn in 2007 (UNCTAD, 2008). This quadrupling of non-financial FDI out of China compares with an increase of \$120bn to \$253bn for all developing economies over the same period (UNCTAD, 2008).

Conventional models of international trade suggest that where comparative advantage flows from a country's relative endowments of capital, skill and labour, a labour abundant country such as China would be expected to produce and export relatively labour intensive goods (Schott, 2008). China's emphasis on a low cost export led economy, much of which is focused on processed goods with limited added value (EU, 2008), has important implications. Although it can lead to increased exports and higher employment rates, there is a danger that the economy will remain fixed in creating low value goods and services, which have low profit margins. This type of export led economy can be vulnerable to fluctuations in world demand and the increased pressure from competitors which can result in a downward spiral in returns. This can have important repercussions not only on the enterprise but also on the economy as a whole. The evolution of global and international business and production, affects not only the individual firms and the structures of industries, but also how and why countries advance, or fail to advance in the global economy (Gereffi, Humphrey and Sturgeon, 2005). The creation of high margin industries, the ones likely to grow in value over time through development and innovation, is paramount in order to avoid being locked into producing commodities and low value goods and services, which have low profit margins and are likely to fall over time. Being locked into primary or low value chain production may result in a country failing to

develop in the longer term. Sustainable business development can encourage the development of industries and individual businesses positioned higher up in the value chain, commanding a higher profit margin from trade. This also has the effect of countering the impact of fluctuating markets, which can undermine an economy when it is heavily reliant on low profit margin goods and services (typical of many developing countries). Gereffi and Korzeniewicz (1994), developed the so called 'global commodity chain', that tied the concept of adding value (value added chain) to the global organization of business and industry. This highlighted the importance of the different individual components of the chain and the growing value differences between production and marketers and retailers. If the Chinese economy is to develop sustainably in the longer term, it is important to gain new technology, knowledge and strategic capability in order to progress up the global production value chain. This will require business and industry not only to grow, but also to develop their output up the value chain. Added value is not just delivered through more sophisticated technology but also through improved product design, reliability and quality. According to Schott (2008), although China has entered a disproportionate number of product markets given its relative level of development and size, the relative quality did not appear to be catching up with those of the most developed economies. These improvements can be achieved through the increased internalisation and internationalization of organizations. This is true of any developing economy that seeks to avoid stagnation in the lower end of the value chain, always trying to compete on cost and at the mercy of the global market.

The role the Chinese state has played in the economy has moved it from a planned (state governed) market, to a freer and more liberalised market. This has been a major factor in the revival of the economy. However, the state is still actively involved in directing and intervening in the economy (e.g. subsidises, soft loans, tax incentives and managed exchanged rates) and as such it could be regarded more as managed liberalisation at this time. This factor may arguably set China apart from other developing countries and make it more of a unique case. Another factor, which may set China apart from much of the Western world, is the strong institutional nature of its society. This has led to the Chinese emerging economic order being dubbed "Network Capitalism", even though China still espouses socialism as its official ideology (Michailova and Worm, 2003, p. 510). These factors have led researchers to conclude that the Chinese economy and the enterprises that operate within it do so with significant differences from those in the Western world (Hoskisson, Eden, Lau and Wright, 2000; Jansson, Hilmersson and Sandberg, 2008).

The importance of a healthy and robust SME sector in helping sustain competitive advantage and economic development in both developed and newly industrialized countries has been highlighted

by Wu, Song and Zeng (2008). According to Singh, Garg and Deshmukh (2010), SMEs are considered as an engine for economic growth all over the world. The advantages of national and international expansion of small and medium sized organizations has been highlighted by Cardoza (1997), who pointed out that they play a key role in entrepreneurship, job creation, fiscal income, technology diffusion, risk diversification, identification and adoption of best international practices and wealth generation. These factors drive the local and national economies, which in turn drive the global economy. It is for these reasons that governments play an active part in the development of the SME sector both domestically and internationally.

Attention will now turn to defining an SME and the role that SMEs play in the global macro economy.

## **2.2 A Comparison of Small to Medium Sized Enterprises in China and Those in Western Economies**

### **2.2.1 Definitions of Small to Medium Sized Enterprises**

Despite the fact that governments and many multinational organizations target the SME sector for special financial business support, there is no universal generic definition for a SME. SMEs can be defined by a number of factors and criteria including location, size, age, structure, type of organization, number of employees, sales volume, value of assets and ownership through innovation and technology (Rahman, 2001). The way in which China, and in comparison the EU and the US define SMEs will now be considered.

In China, the interim categorizing criteria on SMEs, based on the SME Promotion Law of China (2003), outlines the guidelines for the classification. The definitions depend on the industry category and are based on the number of employees, annual revenue and the total assets of a company.

A summary of Chinese SME definitions are shown below.

**Figure 3: Small to Medium Sized Enterprise Definition in China**

Size Category	Industry	Number of Employees	Total Assets	Business Revenue
Small	Manufacturing	< 300	<¥ 40 million	<¥ 30 million
	Construction	< 600	<¥ 40 million	<¥ 30 million
	Wholesale	< 100	<¥ 40 million	<¥ 30 million
	Retail	<100	<¥ 40 million	<¥ 10 million
Medium	Manufacturing	300 – 2000	¥ 40 million - 400 million	¥ 30 - 300 million
	Construction	600 – 3000	¥ 40 million - 400 million	¥ 30 - 300 million
	Wholesale	100 – 200	¥ 40 million - 400 million	¥ 30 - 300 million
	Retail	100 – 500	¥ 40 million - 400 million	¥ 10 - 150 million

SME Promotion Law of China (2003)

The definition of a Chinese SME is therefore relatively complex and can include relatively large organizations in some industries.

Micro, small and medium sized enterprises are socially and economically important within the European Union (EU) since they represent 99% of all enterprises, provide approximately 90 million jobs and contribute to the development of entrepreneurship and innovation (EU, 2009).

As of the first of January 2005 the EU has adopted the following general guidelines for what constitutes a SME. Enterprises qualify as micro, small and medium sized enterprises (SMEs) if they fulfil the specified criteria. The guidelines specify that in addition to a staff head count ceiling, an enterprise qualifies as a SME if it meets either the turnover ceiling or the balance sheet ceiling, but not necessarily both. The criteria are summarized in the table below.

**Figure 4: Small to Medium Sized Enterprise Definition in the European Union**

Enterprise Category	Headcount	Turnover	Balance Sheet Total
Medium-Sized	< 250	< € 50 Million	< € 43 Million
Small	< 50	< € 10 Million	< € 10 Million
Micro	< 10	< € 2 Million	< € 2 Million

EU (2009)

For example, a small enterprise has a headcount of less than fifty and a turnover or a balance sheet total of not more than €10m. A medium sized enterprise has a headcount of less than 250 and either a turnover of not more than €50m or a balance sheet total of not more than €43m.

The typology of enterprises (autonomous, partner and linked) is also taken into consideration to ensure that genuine SMEs (rather than those which are part of a larger grouping) can benefit from SME support schemes. The application of a common definition is said to ensure consistency and effectiveness of policies targeting SMEs and limits the risk of distortions of competition in the single market (EU, 2009).

In the US, the definition of business sizes is set by the Small Business Administration (SBA) Size Standards Office. The SBA sets size standards in order for small businesses to benefit from targeted funding. Businesses cannot be nationally dominant in their field, and should be independently owned and operated. There is no distinct way to identify SMEs in the USA and the classification typically depends on the industry in which the company operates. This wider variation is intended to better reflect industry differences. The most common size standards include 500 employees for most manufacturing and mining industries, 100 employees for wholesale trade industries and \$7m in annual receipts for most retail and service industries (SBA, 2011). Direct and indirect exports by US SMEs support approximately four million jobs and account for over 40% of the total value added of US goods and services. Approximately a quarter of a million US SMEs export to one or more foreign markets and according to the USTR (2010), SME exporters grow faster, increase employment faster and pay higher wages than non-exporting SMEs. US SMEs have accounted for almost two thirds of the new jobs created in the US over the previous two decades (USTR, 2010). US SMEs benefit from US trade agreements which include membership of the WTO, mutual recognition agreements (MRAs), trade and investment framework agreements, bilateral investment treaties and other trading arrangements (USTR, 2010). Through these agreements SMEs are able to gain improved market access, better trade facilitation and more favourable regulatory environment. The benefits that accrue include reduced tariff charges, standards harmonization, easier information access, reduction in delivery and service times, stronger intellectual property right protection and enforcement, more predictable regulatory and legal environments and improved access to more and diverse markets (USTR, 2010).

Clearly, the definition of an SME and government support for SMEs are both important factors in the growth and development of such organizations. A wider range in the definition of SMEs should result

in active support for a larger number of targeted enterprises which can be beneficial to the economy overall.

Having considered the wide and varying range of SME definitions that exist in different areas and the impact that targeted policy can have on development, the next section will consider the expansion and development of SMEs in the wider global economy.

### **2.2.2 Small to Medium Sized Enterprises in the Global Economy**

International SME development and expansion is one of the most important paths for the development and growth of the enterprise. It is a particularly important growth strategy for SMEs whose business scope has historically been geographically confined (Barringer and Greening, 1998). Improvements in technology and communication, advances in transportation and increasing globalisation has led to increasing numbers of SMEs now pursuing opportunities abroad (Knight, 2000).

Although all enterprises face obstacles and barriers when developing export markets, some trade barriers have been found to disproportionately affect SME export performance. A large survey of US SMEs indicated that many barriers were perceived as being more troublesome to SMEs than to larger organizations. These included tariffs in foreign markets on certain manufactured goods, customs procedures, foreign regulations and the preference for local goods. Foreign standards, testing and certification requirements have also often impeded the exports of US manufacturing SMEs (USTR, 2010).

The opportunities for SME growth through trade on the demand side are counter balanced by challenges on the supply side. Competition has become increasingly fierce among the global and regional economies and enterprises. Markets have become increasingly sophisticated and demanding in specification (including health and safety), which place additional costs and challenges on the manufacturer. Furthermore, markets are faster moving with increased levels of innovation, shorter product life cycles and less time to get new products to market (Wattanaputtipaisan, 2002). Globalization has resulted in additional competition in domestic markets, putting domestic SMEs under increased pressure. In order to meet the challenges of increased competition it is vital for SMEs to continually adapt and improve their business and manufacturing processes (Denis and Bourgault, 2003), adapt and exploit IT as a means of enhancing sustainability (Song, 2011), focus on and develop a strategic business strategy (Jennings and Beaver, 1997; Vos, 2005) and employ and

retain high calibre staff (Singh et al., 2010). Constraints in the competitiveness of SMEs include the ability to access adequate technologies (Gunasekaran, Marri, Mcgauahey and Grieve, 2001), prohibitive costs of product development (Chorda, Gunasekaran and Aramburo, 2002), a lack of effective selling techniques and poor or limited market research (Hashim and Wafa, 2002) and the inability to meet the demand for multiple technological competencies (Narula, 2004). A shortage of finance and insufficient working capital (Hussain, Millman and Matlay, 2006), weak intellectual property rights (Ernst and Young, 2006), a lack of appropriate advice including accountants and bankers (Watson, 2003), and poor management (Chaganti and Chaganti, 1983) are also constraints on the successful development of SMEs. All of these constraints have been cited as being associated with the failure of enterprises and SMEs tend to have a larger mortality rate than larger enterprises. For example, the US SBA recently suggested that based on census data, seven out of ten new small business employer firms survived at least two years, half at least five years, a third at least ten years, and a quarter were still in business after fifteen or more years (SBA, 2011). In essence, 50% of US small businesses will disappear in the first five years (SBA, 2011). Chinese SMEs have similar difficulties and it has been reported that the average life expectancy of Chinese SMEs was just 2.9 years. It has been suggested that one of the main reasons for this in China has been a 'capital bottleneck' (Yang, 2005).

Nevertheless, at some stage in the pursuit of growth and higher returns on resources, SMEs may decide to adopt a geographic expansion strategy in order to pursue new opportunities and to leverage their core competencies across a wider range of markets (Zahra, Ireland and Hitt, 2000). This involves risks due to limited resources and capabilities, including capital resources, informational shortages, management time and expertise, and the constraints arising from their vulnerability to environmental change (Buckley, 1989). These are compounded by the difficulties associated with the 'liabilities of foreignness' (Hymer, 1976) and 'newness' (Stinchcombe, 1965), particularly when the new markets are less similar in nature. These problems can be alleviated by the active use of networks which can help to reduce costs and resource constraints (Deeds and Hill, 1996; Larson, 1991; Weaver and Dickson, 1998). One such approach is in the formation of strategic alliances which have become more popular with internationalizing entrepreneurial firms (Beamish, 1999). Nevertheless, unless SMEs can become established and achieve competitiveness and critical mass they run the risk of failure and withdrawal. This has been a problem for many Chinese SMEs in the past (Jansson, 2007; Jansson, Soderman and Zhou, 2008; Redding, 1990).

Ruzzier, Hisrich and Antoncic (2006) have suggested that the impact of globalisation on the SME sector is likely to be even more profound than on the more internationalized large corporate sector. In recent decades, many SMEs have set up operations beyond their home markets and their role is increasingly crucial in contributing to future economic growth (Gjellerup, 2000).

## **2.3 Expansion and Development of Small to Medium Sized Enterprises in the Global Economy**

### **2.3.1 The Future Development of Chinese Small to Medium Sized Enterprises**

As discussed earlier, one of the main outcomes of the opening up and liberalisation of the Chinese economy was the tremendous growth in smaller firms (Anderson et al., 2003; Liu, 2007). Currently SMEs account for 98.9% of the total number of Chinese businesses and 65.6% of industrial output value in China (Singh et al., 2010). The rapid development of SMEs, particularly private ones, has become the most dynamic facet of the Chinese economy, and in some areas private SMEs have become the backbone of the local economy (Chen, 2006). This growth highlights the potential that SMEs have, not only to stimulate local development and the local economy, but also, in time, to drive the Chinese economy, which in turn will help to shape world trade, business and, indeed, the global political economy. The effects will be felt both in the developing and developed world.

SMEs have the advantages of low initial investment, fast yield, flexibility, and the ability to adapt rapidly to changes in the marketplace. It has been the ability of Chinese SMEs to adapt themselves to the needs of a market economy in a more relaxed and liberal environment, and the ability to adjust their development strategy and internal structure in order to create an efficient operation of self-governance, self-determination and dynamism, that has been one of the overriding reasons for the rapid growth in the number of Chinese SME's, in particular the private ones (Chen, 2006). This has led to SMEs becoming a major force within the Chinese economy.

The importance of moving up the value chain at both organizational and economy level has already been discussed in some detail. This is equally important for the future prosperity of SMEs. The move to higher margin goods will involve the acquisition of new knowledge, technology and increased strategic capability but will help to reduce the necessity to compete on cost, at the mercy of the market.

One of the major concerns for the Chinese State is that too few SMEs expand abroad. A major reason for this is that too few SMEs are able to grow large enough in the highly competitive domestic market to develop competitiveness for foreign markets. This growth problem seems to be a general feature of Chinese firms, particularly family firms (Jansson, 2007; Jansson, Soderman and Zhou, 2008; Redding, 1990). Furthermore, internationalising SMEs frequently fail to flourish in foreign markets and fail to continue to develop despite exporting into international markets (Jansson, Soderman and Zhou, 2008). According to Cao et al. (2011), most Chinese SMEs have focused their sales on the domestic or global market with no leverage on pricing and other negotiating power. Such enterprises become trapped in the role of a weak chain member, controlled by the organizations at the head of the chain. As a result, few Chinese SMEs can enter and compete on a global scale.

Many SMEs engage in indirect export in which the organization has no direct contact with the client abroad, but instead deals through an intermediary such as a trading company or international contractor. In this way the organization takes advantage of the specialist knowledge and connections of the intermediary. One particular initial problem that is overcome in this way is the mitigation of the institutional barriers between Chinese and non-Chinese business networks (Jansson, Hilmersson and Sandberg, 2008). Although the organization has no direct contact at an international level when undertaking indirect export, it can gradually accumulate knowledge, contacts and experience gradually over time, enabling it to eventually begin direct international involvement. Some researchers have argued that indirect export can act as a double edged sword and despite its advantages, actually delays direct international export (Naude and Roussow, 2010; Sandberg, 2008).

Overall, although the economic and political background appears to be highly favourable for the future development of SMEs in China, their future will also be affected by a range of factors, which include state policy, economic policy, rate of liberalisation, protection of property rights and the macro economy as a whole. SMEs in China have achieved rapid and sustainable growth over the last two decades which has increasingly contributed to China's economic development. Their growth has been limited by poor links and engagement with the external market, weak technological innovation and limited SME financing (Liu, 2007). Many Chinese SMEs have had a short life expectancy and it has been reported that the average life expectancy of Chinese SMEs was only 2.9 years. One of the main reasons for this was 'capital bottleneck' (Yang, 2005) and evidence suggests that a lack of funds may have become a major constraint on the growth potential of listed SMEs (Pang and Liu, 2008). Liu (2007) concluded that an expansion in the range of government services to SMEs, the development

of industrial clusters, improved financing and a technological innovation system for SMEs will help to alleviate many of these problems.

Importantly, international trade can lead to an increase in the number of contacts, opportunities and knowledge and the proportion of direct trade can increase rapidly. New knowledge, skills and technologies can then be utilised at home to improve the enterprise's competitive advantage, which in turn, can drive the domestic market.

### **2.3.2 The Future Challenges of Chinese Small to Medium Sized Enterprises in the Manufacturing Sector**

Over the last decade China has become a major global force in manufacturing exports. By 2010, manufacturing accounted for approximately 47% of China's GDP, compared with 23% in the United States (Moody, 2010a). According to IHS Global Insight (2010) China exported approximately \$1.7 trillion of goods in 2009, 80% of which were manufactured in factories. This rapid growth has had a profound effect on the world's manufacturing, production and trade (Huang, Zhang, Zhao and Varum, 2008). China's policy of reform and managed liberalisation, together with a relatively low cost potential workforce of 700 million workers, has unlocked unprecedented levels of growth and development (EU, 2008). However, despite the fact that Chinese SMEs accounted for 65.6% of Chinese industrial output value (Singh et al., 2010), Chinese SMEs only contributed a 40% share of manufactured exports (Cao et al., 2011). This together with the fact that millions of Chinese SMEs have not yet entered the export market highlights the potential for an increase in SME manufactured exports in the future.

There is little doubt that export competitiveness is closely linked with cost, which is why low labour cost has been considered in the past to be the primary competitive advantage of Chinese organizations in the international marketplace (Liu and Shu, 2003). Despite this, China's export basket is already significantly more sophisticated than one might expect for a country at its income level (Rodrik, 2006). China surpassed the US and EU to become the biggest exporter of information technology goods in 2004 (OECD, 2005). This suggests that the economy is moving up the product manufacturing value chain which is vital to the longer term sustainable growth of the economy. However, the significant increase in the share of high technology products in the total exports of China (along with many other developing economies in the East Asian region) is largely due to the specialisation of production. This leads to a global division and manufacturing transfer from high and medium income countries to low cost countries. This can be seen, for example, with the

manufacture of Original Equipment Manufacture (OEM) products for western retailers. Just how crucial labour cost is to the future success of the Chinese exporting industry has been a concern for entrepreneurs and business owners. If the upsurge of Chinese exports is merely built on cost advantage, then higher wages, particularly for skilled workers, together with the potential shortages of unskilled labourers in the Eastern Provinces (such as Guangdong where much of the export industry is concentrated), then the future looks less assured (Huang et al., 2008). The table below shows the appreciation in the average annual manufacturing wage in various provinces of China.

**Figure 5: Appreciation of Annual Manufacturing Wages in China (Yuan)**

Province	1998	2008	% Change
Guangdong	10,337	25,249	144.2
Guangxi	6,153	21,181	244.2
Hunan	6,108	22,188	263.2
Beijing	11,370	39,076	243.7
Shanghai	12,944	42,311	226.8
Zhejiang	8,321	23,816	186.2
Jiangsu	7,398	25,688	247.2
Chongqing	6,392	24,131	277.5
Sichuan	6,488	22,046	239.7
Inner Mongolia	5,127	22,352	335.9
Tibet	5,612	19,486	247.2
Guizhou	6,193	21,181	258.8

Economist Intelligence Unit 2010

The rises in labour costs have also been driven up by the new labour contract law which the PRC government introduced at the start of 2008. This enhanced workers' rights by setting minimum wages, creating overtime limits and introducing one month's pay for each year worked for dismissed employees. This law has added an additional financial burden on Chinese SMEs and has made the employment of temporary workers more problematic.

There have been concerns that increasing labour costs will result in an exodus of manufacturers to cheaper locations such as Vietnam and Bangladesh. Furthermore, it has been suggested that by 2020, the total manufacturing labour costs in China is expected to be 20% higher than in India, as China labour costs are expected to rise steadily, whereas in India growth may be erratic (IHS, 2010). Indeed, there have already been signs that several US companies are considering relocating

production from China to geographic locations where labour rates are cheaper (Moody, 2010b). Although China still has lower manufacturing labour rates than in locations such as India, it has been reported that it costs four times as much to employ a Chinese textile worker than a worker in Vietnam (Moody, 2010a). This is a perpetual danger at the lower end of the manufacturing value chain, which is exacerbated in this case, because the plentiful supply of labour has not pushed China towards innovation based activities (Thun, 2009 in Moody, 2010b). Suggestions that enterprises may move to inland China from the more expensive coastal provinces have been largely discounted as wages and conditions are becoming more standardised across China and regional disparities are becoming less significant. Despite increasing wage rates there still remain many major advantages for the exporting manufacturers located in the Pearl River Delta. SMEs in the Western Chinese Provinces are generally more focused on the domestic market which should be stimulated by the appreciation of domestic income (Fernando, 2010).

Huang et al. (2008) have argued that the contribution from labour costs is not as crucial to the success of the Chinese exporting industry as that from other factors, such as collaboration with foreign investors and fierce domestic competition in the industry. They highlight the importance of developing home technological advantage without which current international competitiveness will be difficult to sustain.

The reliance on global demand is another problem that Chinese SME exporters face. In 2009 the global economic downturn resulted in a 12.2% contraction in the volume of global trade, the largest such decline since the Second World War (WTO, 2010). The WTO economists predict that if trade continues to expand at the current pace it will take another year before trade volumes surpass the peak level of 2008 (WTO, 2010). The development of SMEs has played an important role in China's economic growth and development. In 2007 they accounted for 99% of all enterprises, and 60% of GDP which accounted for 82% of all employment in China (Liu, 2007). The global downturn resulted in many SME closures and employee redundancies. For example, The China Economic Review estimated that over 3631 toy exporters (which represented more than half the industry) went out of business in 2008 (China Economic Review, 2009). SME manufacturing exporters could seek to diversify their product ranges in a bid to reduce the risk associated with a sudden fall in demand. However, this approach may result in the economies of scale, specialisation and efficiency being reduced. A similar problem that exists in the Chinese domestic market is that manufacturers facing increasing competition in their own product market seek to diversify into other product ranges. Unless they have specific competitive advantage in these new product ranges, they can end up with greater diversification but no improvement in their situation (Kynge, 2006).

Despite these problems, manufacturing exports will continue to be the cornerstone of the Chinese export led economy in the foreseeable future. It has been suggested that despite high wage appreciation, China will remain a leading manufacturing economy for the next 100 years due to the potential economies of scale, the large domestic market and the potential ability of Chinese manufacturers to move up the value chain (Fernando, 2010). SMEs have the potential to grow and develop internationally within this system. This should increase exports, boost technology diffusion, increase foreign currency reserves, provide employment and continue to increase per capita income. Over time, the continued internationalization development of SMEs should lead to increased technological and managerial capability and the move to more profitable business activities higher up the value chain.

The next section will consider in more detail the role that government policy plays in the development of SMEs.

## **2.4 The Role of Government Policy and Support in SME Development**

There are a variety of ways in which government can actively encourage and influence the nature and pace of SME development (Smallbone and Welter, 2001). These include influencing the macroeconomic environment; the differential impact of government legislation on enterprises of different sizes; direct support policies and programmes aimed at helping smaller enterprises to overcome size related disadvantages; influencing the development of economic institutions (banks and business support infrastructure) and the value placed on enterprise and entrepreneurship within the society (Smallbone and Welter, 2001). Policies in support of SMEs can generally be categorised based on their objectives (Harvie and Lee, 2003).

The table below summarises a selection of support policies for SMEs against their objectives.

**Figure 6: Categories of SME Support Policies**

Macro objectives	Creation of employment Economic development Export growth
Social objectives	Income redistribution Poverty alleviation in developing countries
Correction of market failure/inefficiency	Presence of externalities Market access barriers Asymmetric information Small number of competitors Information imperfection Levelling the playing field
Dynamic efficiency objectives	Promotion of innovation

Harvie and Lee (2003)

Broad macro objectives include economic development, the stimulation of export growth and the creation of employment. These can be targeted through macro-economic measures including taxation, interest rates and policy. Levelling the playing field includes disadvantages relating to the size of SMEs such as the ability to raise finance. Difficulties can arise due to the size of the enterprise, the risk involved, a lack of knowledge and flexibility, a lack of reliable information on their financial strengths and poor business plans. Even if capital is available it can be at higher rates and come with more stringent requirements in terms of collateral. Direct intervention by governments can encourage the availability of funds to SMEs. The lack of access to information about potential markets can be aided by information services and the availability of networks and clusters. The promotion of innovation can also be aided by networks and clusters which can help enterprises to participate more effectively in innovation related activities. According to Liu (2007), SME clustering is essential for addressing social and economic objectives and will make SMEs more competitive in the global economy. SME clustering will generate and spread innovations, create employment and distribute broad based income and welfare.

One of the major changes or dimensions that globalisation has brought to economies has been the structural reforms to markets as advocated by Williamson's (1994), so called 'Washington consensus'. This involves structural reforms that include a reduction of government restrictions and regulations on economic relationships and an improvement in governance. He argued that less government involvement encouraged economic development and growth as it encouraged

individual entrepreneurship (the importance of entrepreneurship has been highlighted by many researchers including Oviatt and McDougall (1994). However, although many developing countries have adopted this policy, not all countries have appeared to have benefited, and opinion has been divided (Bhagwati, 2003; Stiglitz, 2002). At an organizational level, structural reform can lead to lower transaction cost, increased competitiveness, increased access to foreign markets and increased internationalization possibilities. It has been argued by the detractors of globalisation, such as Mander and Goldsmith (1996), that foreign firms are the sole beneficiaries of structural reform. However, more recently Cuervo-Cazurra and Dau (2009) concluded that both foreign and domestic organizations benefit from structural reform, particularly in developing countries, and that these reforms help organizations become international by reforming institutions. The important role that institutions play in an organization's operations has been recognised by North (1990) and Scott (1995). This role can play an even greater part in some societies, and this is particularly true in China, where the state plays a more active role in everyday life.

Other areas where there is debate about the degree and impact that increased liberalisation would have include the scale and pace of privatisation and the role of property rights. Many economists would argue for an increase in both the scale and pace of privatisation and for stronger intellectual property rights (IPR). Wang (2008) underlined the importance of the effective protection of IPR as an important guarantee for the promotion of technological innovation. Other researchers have argued that China's economic success has involved a mixed economy with big government. The line between public and private sectors should be drawn pragmatically and fuzzy property rights have served China well over several successful decades (Sanders and Chen, 2005). The protection of intellectual property rights is however important for the development of many entrepreneurial SME start-ups and future advances in technology. The legal recognition of private property rights in 2007 created a further basis for future market development and this further liberalization measure gave entrepreneurs the incentive to establish their own ventures (Atherton, 2008).

Wang (2008) proposed a series of measures that would help promote SME development and technological innovation. These measures included the emphasis on education and training, information networks, strengthening financial support, consolidating resources including cooperative relationships with universities and research institutes, attaching importance to the training of innovative talent, development of industrial clusters and the effective guarantee of intellectual property rights protection. This last point is particularly important in order to stimulate technological innovation and longer term development.

Despite some liberalisation in the Chinese economy, the state still plays an active role in directing, controlling and influencing the market. This has led to the economy being labelled as a socialist market economy. Furthermore, the extent of state control over the Chinese economy is likely to have a far-reaching effect on all enterprises and their internationalization decisions (Scott, 2002).

Since the introduction of the 'Go Global' policy, the state has taken a series of measures to stimulate SME development. In 2003 the Promotion Law on SMEs was introduced which effectively laid the groundwork for public support for SMEs. The government protected the lawful investments of SMEs and their equity investors along with their investment earnings. The legal rights of SMEs including their rights to fair competition and fair trade were also protected. The implementation of the SME Promotion Law was designed to remove institutional barriers, encourage innovation and increase the competitiveness of SMEs (Chen, 2006). In 2005 the state council issued Several Opinions on encouraging, supporting and guiding the development of self-employed, private economy and other non-public sectors of the economy. This increased market access conditions for non-public businesses allowing them greater development potential. The outline of the eleventh five year plan (2006) introduced the SME growth project to be carried out over the next five years. It's aims included the development of policy and regulation for SMEs, the facilitation of SME structural adjustment, the resolution of financing difficulties, action to sustain SME reform, to improve innovative ability and to encourage SMEs to expand abroad through incentives (Liu, 2007). In addition, the state council approved and established the 'National Leading Group for the Promotion of SMEs', headed by the Ministry of Industry and Information Technology (Wang, 2008). More recently the state enshrined its support for SMEs in its 'Growth Plan for SMEs' in the twelfth five year plan (2011-2015) (Chen, 2012).

Practical assistance to SMEs have included the passing of related laws and regulations, providing more financial support, including credit guarantees, and accelerating construction of a service system to promote the development of small to medium organizations (MOFCOM, 2008a: MOFCOM, 2008b). Only recently, it was reported banks had shown unprecedented credit support to SMEs (People's Daily, 2009). The increase in loans to SMEs grew by 30.1% in 2009 over the previous year, compared to an annual growth in 2008 of 13.5%, although the percentage of outstanding loans to SMEs of total lending are disputed (Euromonitor, 2010). Other measures that have been introduced to enable these organizations to survive the recent economic downturn have included tax breaks for small enterprises, credit guarantee systems and a reduction in other financial burdens

(MOFCOM, 2008c) to ease SMEs difficulties in financing. The government announced in late 2009 that it would increase procurements from SMEs and grant one year breaks on tax and social security obligations to SMEs in 2010 to help SMEs over this difficult period. Furthermore, China's banking regulatory commission announced in September 2009, that the five state owned commercial banks and twelve joint stock commercial banks would establish institutions specialising in financing SMEs. Plans were also announced to establish 1,294 rural financial institutions by 2012 to help improve the availability of finance (Euromonitor, 2010).

As a result of these measures, the external environment for SMEs has been steadily improving and financial access and support increasing. However, despite this positive scenario, many SMEs face considerable competition at home, rising costs, increasing competition for skilled labour and changing business regulations and reforms. Exporting SMEs also face an uncertain future due to their reliance on international markets and the threat of global downturns. China's export led economy was adversely hit during the climax of the financial crisis in 2009, when it was reported that 20% of Chinese SMEs went bankrupt and another 20% operated under severe financial constraints according to data from the Chinese Academy of Social Sciences (CASS) (Euromonitor, 2010). Raising capital still has the potential to be a critical bottleneck and SMEs still only account for less than 25% of total bank loans according to the China Association of SMEs (Tsoi, 2009).

The currency exchange rate is a consideration that affects all SMEs, both importers and exporters. In July 2005, China's currency (RMB) was allowed to gradually appreciate against the dollar after the peg to the US Dollar was removed. This measure was adopted in an attempt to ensure the currency reflected more of a true market value. In the period July 2005 to July 2008, it rose by approximately 21% in value. When the effects of the global economic crises became apparent in 2008, the Chinese state halted the appreciation of the RMB to the Dollar in order to limit the job losses in those industries dependent on trade and export. From July 2008 to June 2010, China kept the exchange rate of the RMB at approximately 6.83 Yuan to the Dollar. In June 2010 the Chinese State introduced a managed flexible RMB exchange rate that could move up and down over short periods of time (Morrison and Labonte, 2010). Although, this mechanism has resulted in a much slower appreciation than some trading partners would like, the Chinese government has maintained that currency reform is a long term goal, which should be implemented gradually. The Chinese state view economic growth as pivotal to sustaining political stability and have been reluctant to introduce policies that might disrupt the economy and could lead to worker unrest (Morrison and Labonte, 2010). An undervalued RMB results in cheaper and more competitive Chinese exports, which in turn

boosts China's export industries and protects jobs. This includes Chinese SMEs who can benefit by being more competitive in export markets. Conversely, it makes imports of foreign products and raw materials more expensive, which can increase domestic prices. This has the effect on SMEs of making their products more expensive if they require raw materials or components from overseas, and can have the effect of increasing domestic inflation. The advantages of exchange rate certainty in the Chinese context have been considered by Chou (2000), who concluded that exchange rate uncertainty reduces Chinese trade and export. Chou (2000) also concluded that exchange rate variability had a significantly negative effect in the long run on total exports and the exports of manufactured goods. McKinnon (2007) has warned of the danger of the resulting deflation from an overvalued Yen, coupled with a zero interest liquidity trap leading to stagnation in the Chinese economy similar to Japan's experience in the 1990's. Even a pegged currency can be a disadvantage when other currencies fall. During the economic crisis in 2008 the Chinese RMB was pegged against the US Dollar. Other currencies such as the Indonesian Rupiah and the Indian Rupee both fell against the US Dollar which made goods from those countries relatively less expensive compared to Chinese exports (Tsoi, 2009).

Interest rates are an important consideration to SMEs who rely on the availability of affordable capital to operate and expand their operations. Low interest rates can be adopted to stimulate production, expansion and an increase in exports. Conversely, higher interest rates and tighter borrowing restrictions can be used to prevent the economy from overheating and the inflation rate rising to unacceptable levels. Tighter monetary policy can be deliberately adopted to reduce inflation by slowing down growth in the economy. More expensive credit can have negative consequences for SMEs who rely on credit for development of the enterprise. This was underlined recently in 2011 when a series of interest rate increases were introduced by the state in an effort to rein in a stubbornly high inflation rate. Not only was credit more expensive to obtain but available credit was channelled to large state backed companies and high-tech and green energy related companies at the expense of traditional low end manufactures (Rabinovitch, 2011).

In the next chapter, consideration will turn to internationalization theories, focusing particularly on behavioural theories and the way in which enterprises think, operate, and make decisions. Internationalization from emerging markets will also be considered, before finally considering the early export stages of internationalization and the barriers and drivers to international export.

# Chapter Three - Literature Review

## 3.1 Introduction

In trying to understand the internationalization of organizations from emerging economies, researchers have often approached the subject from theory established in Western developed economies. Theories of the organization and internationalization have often formed the basis of these approaches. However, it has been pointed out that the two are not necessarily transferable into emerging economies, and the assumption that the findings from a developed economy will be equally applicable in an emerging economy should not be assumed. Major influences on the behaviour of Chinese organisations can include the important role of networks within the culture (Buckley et al., 2007; Deng, 2004), the level of education and impact of bounded entrepreneurship (Liu et al., 2008), and the impact of government and institutional influences (Cardoza and Fornes, 2012; Hoskisson et al., 2000; Peng, 2002). As a result, the pattern of Chinese internationalization does not fit the traditional Western models of internationalization. Reasons for this include a lack of internationalization knowledge, the difficulties of breaking through the institutional barriers between Chinese and non-Chinese business networks, domestic policy formulation, and marketization and political risk considerations (Jansson, Hilmersson and Sandberg, 2008). Furthermore, researchers have often found that MNEs that internationalize from emerging economies, frequently internationalize adopting a different asset augmenting strategy (Mathews, 2006). As a result, new and multifaceted approaches have often been adopted and new insights have been proposed that more closely describe the situation dynamics in newly emerging markets.

This chapter will begin by considering the internationalization sequence model and will continue by considering traditional established theories of internationalization (together with related theory), before considering internationalization from emerging markets, new theories, and combined approaches.

## 3.2 The Internationalization Sequence Model

Internationalization is often undertaken in a sequence of stages which gradually increases the commitment to a foreign market (Sharma and Erramilli, 2004). SMEs may adopt a variety of foreign market entry modes which vary significantly with respect to costs and benefits (Sharma and

Erramilli, 2004). The model below has been adapted by Johansson (2006) from the works of Cavusgil (1980), Czinkota (1982) and Nordstrom (1991).

Internationalization stages (mode of entry/ level of commitment)

Stage 1: Indirect export

Stage 2: Direct export

Stage 3: Establish foreign sales subsidiary

Stage 4: Local assembly

Stage 5: Foreign production

Stages 3, 4 and 5 involve foreign direct investment (FDI)

Export has been traditionally regarded as the first stage to entering international markets, serving as a platform for future international development (Kogut and Chang, 1996). Exporting is a particularly important strategy for SMEs (Leonidou and Katsikeas 1997), as SMEs often lack the resources for foreign direct investment (FDI) (Zahra, Neubaum and Huse, 1997). The export stage provides fast access to foreign markets, with minimal capital investment but with the opportunity to gain some limited experience of international markets (Root, 1994; Sullivan and Bauerschmidt, 1990; Zahra et al., 1997). In the sequence model above, indirect exporting serves as the first stage for internationalizing enterprises and takes advantage of home country agencies such as trading companies, export management firms and consortia. Direct exporting refers to exports that go directly abroad. The enterprise is in direct contact with the buyers abroad, be they independent agents and distributors or the enterprise itself.

The expansion into export markets can be slow and incremental, first entering culturally close countries, then other mature markets and finally to the less developed markets. This is relatively slow and can be controlled from the centre. Alternatively, the expansion can be faster and into many markets at the same time. This type of approach can lead to first mover advantage in many areas in a globalised world but is more challenging to deliver, riskier and more expensive in management time and expertise. These have been termed the 'waterfall strategy' and the 'sprinkler strategy' (Riesenback and Freeling, 1991). Enterprises entering rapidly moving and dynamic markets may adopt the quicker but riskier sprinkler approach, in order to maximize the potential gains from those markets, whilst those entering less dynamic and slower paced markets may prefer to adopt a more gradual strategic waterfall approach with less risk (Johansson, 2006).

Whilst exporting involves less risk in terms of capital investment, when an enterprise's assets include proprietary assets e.g. trademarks, exporting can introduce risks in terms of distribution channel reliability and security, asset appropriation and devaluation (Lu and Beamish, 2001). One way to avoid these risks is to undertake FDI which enables enterprises' to reduce transaction related risks by internalizing markets for proprietary asset exchange (Hennart, 1982; Rugman, 1982). Other benefits of FDI include the opportunity to leverage different location based advantages (Kogut, 1985), the ability to access critical resources (Deeds and Hill, 1998) and to gain new knowledge and develop new capabilities that enhance international competitiveness (Shan and Song, 1997). However, although FDI can offer these potential advantages, there can be drawbacks to these expansion routes. FDI requires a far greater level of resource commitment than simply exporting and is a more difficult process to exit. It is also subject to foreign political stability and market conditions in overseas markets (Lu and Beamish, 2001). Furthermore, foreign investment overseas can lead to the initial costs involved in overcoming the 'liability of foreignness' (Hymer, 1976) and the 'liability of newness' (Stinchcombe, 1965). These are the costs involved in operating in a foreign environment, which can be considerably higher than for local competitors, and the costs involved in a new startup operation, respectively.

Foreign sales subsidiaries and local assembly represent increased commitment to overseas markets and can provide some advantages locally including local representation, feedback and response to local requirements. FDI in wholly owned manufacturing subsidiaries represents the greatest commitment. In this case, the advantages include the ability to acquire raw materials, reduced manufacturing costs, the avoidance of tariff barriers, the ability to satisfy local requirements and the increased potential to penetrate local markets (Rutenberg, 1982). Local production can result in a reduction in transport costs, customs duties, local taxes, a reduction in distribution channel problems and potentially less delays. However, local foreign production can result in quality issues and on some occasions the perception of lower quality (Johansson, 2006).

In order to overcome some of the difficulties involved in FDI in new markets, such as the 'liabilities of foreignness and newness', and shortages of capital and resources, enterprises can become involved in joint ventures or alliances. This type of approach can enhance the likelihood of success for internationalizing firms (Beamish 1999; Jarillo, 1989) and can reduce transaction costs, increase market power, share risks and provide better access to key resources including capital and information (Gulati, Nohria and Zaheer, 2000; Mowery, Oxley and Silverman, 1996). Of particular importance to SMEs is the access to the partner's 'network resources' (Gulati, 1998). This can

provide important local knowledge which can expedite the learning process and minimize the costs of mistakes and failures. Mistakes can be relatively more expensive and detrimental to a SME when compared to a larger enterprise (Beamish, 1999; Eisenhardt and Schoonhoven, 1990). However, joint ventures are not risk free and can face problems not only in implementation (Deeds and Hill, 1998; Hamel, 1991) but also in complexities arising from cooperation and coordination of the partners involved (Inkpen and Beamish, 1997). Potential problems include conflicts in business objectives, a lack of trust and understanding, cultural differences and disruption over the division of the control (Lu and Beamish, 2001). These potential problems can lead to the undermining and failure of the joint venture or alliance.

Variations in the internationalization sequence model have been proposed, and enterprises do not always follow all the stages in strict sequence. Strategic alliances using joint ventures and alliances can be utilised at almost any stage in the internationalization sequence (Johansson, 2006). In addition, some enterprises appear to be 'born global' from their inception. These organizations view the world at large as one market, seeking value creation through cross border combinations (Oviatt and McDougall, 2005a). Nevertheless, the internationalization sequence model provides a useful basis in order to help understand the increasing development and commitment to foreign markets.

According to Reynolds (1997), SMEs tended to enter foreign markets as exporters and/or foreign investors, whilst larger multinational organisations use exporting and FDI as common strategies. Westhead, Wright and Ucbasaran (2002) found that the most popular mode of entry in a representative sample of British SMEs was direct exporting. Joint ventures were rarely utilised by enterprises in traditional manufacturing and service activities. This may reflect a lack of social and business networks and/or a desire to maintain a greater control over their resources (O'Farrell, Wood and Zheng, 1996). This is in contrast to the situation in China where indirect export is common which can lead to delays in the further internationalization process of indigenous firms (Jansson, Johanson and Ramstrom, 2007; Naude and Rossouw, 2010).

Zeng, Shen, Tam and Wan (2010) concluded that the internationalization paths of Chinese enterprises reflected a 'terrace structure', in which more enterprises adopted rudimentary levels of internationalization rather than the more mature internalization stages. These findings indicated that Chinese enterprises were characterised by relatively low levels of internationalization and that most Chinese enterprises preferred the traditional internationalization paths. Possible reasons for this feature included firstly, the lack of resources (financial, human and informational) to undertake internationalization, and secondly, the difficulties of adapting to foreign international market

environments (cultural, legal and institutional settings), particularly when considering more advanced levels of internationalization such as mergers and acquisitions. Many Chinese enterprises prefer only to use the traditional export route in order to minimize risk (Zeng et al., 2010).

A brief review of internationalization theories, related organizational theories, and theories adopted and developed for emerging economies, are described below.

### **3.3 Theories of Internationalization**

#### **3.3.1 A Classification of Internationalization Theories**

Internationalization can be described simply as the crossing of national boundaries in the process of growth and it has been generally accepted in the past that organizations internationalize on the back of a definable competitive advantage that enables them to obtain a big enough return and advantage to cover the costs and risks (Buckley and Casson, 1976). Internationalization theory in the past has largely been built around this understanding. More recently it has been argued that internationalization from emerging and less developed economies has been undertaken with the objective of acquiring transferable and imitable resources that can be obtained and developed through repeated linkage, leverage and learning (Mathews, 2006). A more recent definition of internationalization was proposed by Mathews (2006; p. 16) who described it as “The process of the firm becoming integrated in international economic activities”. This broad definition includes both exporting activities and foreign direct investment (FDI). For an approach based on the exporting stages of internationalisation, a useful definition is that adopted by Leonidou (2004). Internationalization can be considered to be the process of initiating, developing and sustaining a business operation in an overseas market (Leonidou, 2004).

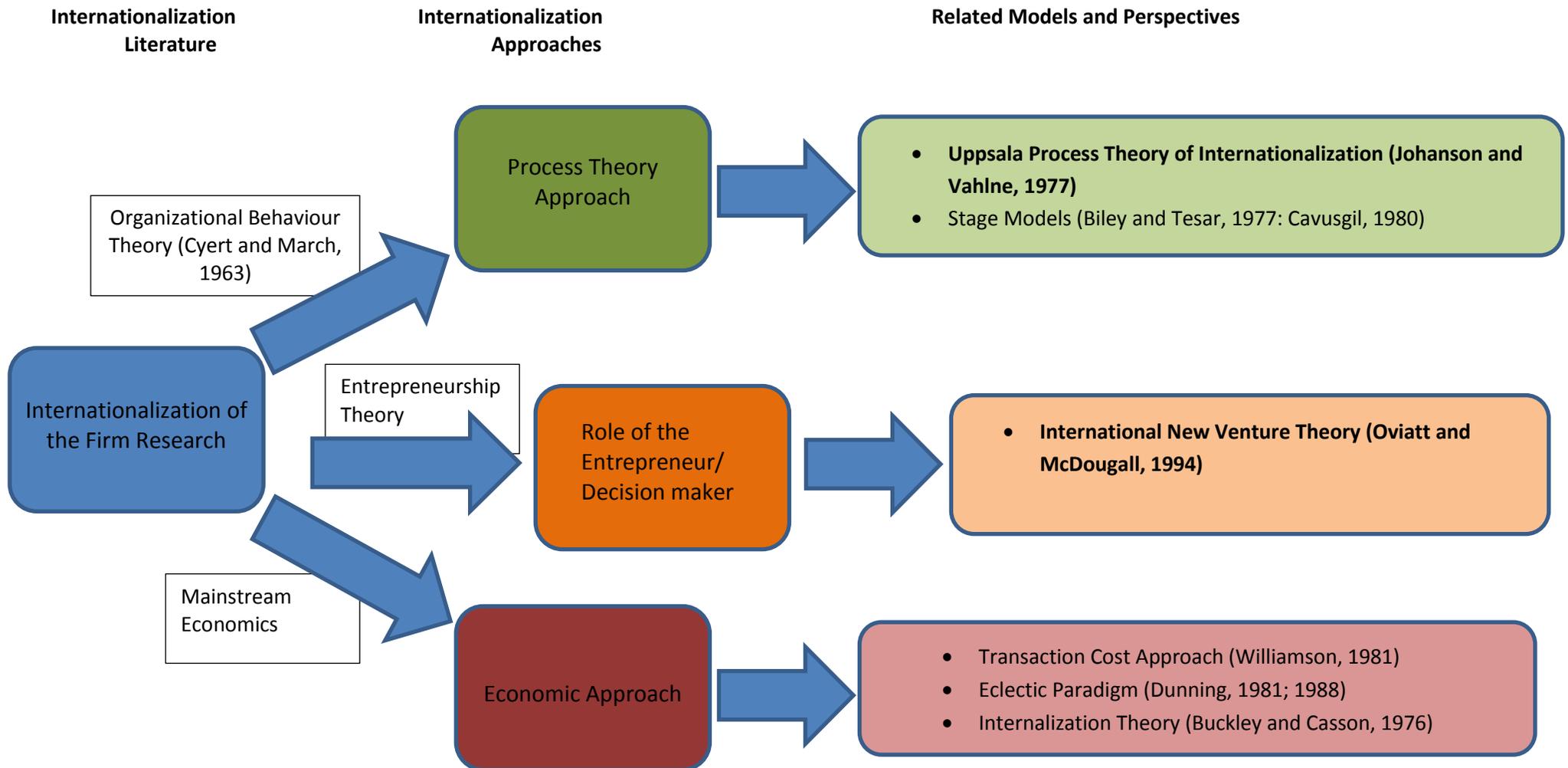
Internationalization is a complex phenomenon and different perspectives are often necessary in order to understand and explain it (Bjorkman, 1990; Morgan, 1986). Different perspectives can highlight different features and provide deeper insights into the internationalization of enterprises. Although, this research will focus on the Uppsala PTI and INV theories of internationalization, it will be useful to consider a selection of other influential theories of internationalization, many of which can be considered to be influential or have roots within the Uppsala PTI and INV theories.

According to Andersson (2000), the literature on the internationalization of firms can broadly be divided into two main areas of research. These can be described as the process and economic

approaches to internationalisation (Benito and Gripsrud, 1992). A selection of process and economic approaches to internationalization, along with the INV theory of internationalization developed in response to criticisms of the Uppsala PTI theory, will now be considered together with other related and influential organizational and internationalization theories.

The diagram on the next page (figure 7) summarizes the process approach, the entrepreneurship approach, and the economic approaches to internationalization and in particular the Uppsala PTI theory and the INV theory of internationalization. These two behavioural theories of internationalization will form the basis of this research.

Figure 7: The Linkage between Internationalization Literature, Approaches and Models - Developed from Andersson (2000)



### **3.3.2 Process Approaches to Internationalization**

The process approach is a behavioural approach and relies heavily on the behavioural theory of the firm (Cyert and March, 1963). In this case, it is accepted that the firm has imperfect information and acts within standard organizational patterns of behaviour (Cyert and March, 1963). This approach accepts that decisions are often made by a group of individuals rather than a single person. Decisions are thus weighted outcomes made between groups of individuals. Furthermore, in complex and dynamic situations, management are only able to operate within a bounded rationality. The emphasis of the behavioural approach is on explaining how the organization behaves, in this case how decisions are made within the organization.

Behavioural approaches to internationalization include the Uppsala PTI approach and other stage models often developed from within the export stream of literature. Whilst all these models attempt to explain the individual stages that organizations move through to internationalization, the Uppsala PTI model attempts to explain the behaviour and factors behind the decision making process.

#### **A. Uppsala Process Theory of Internationalization**

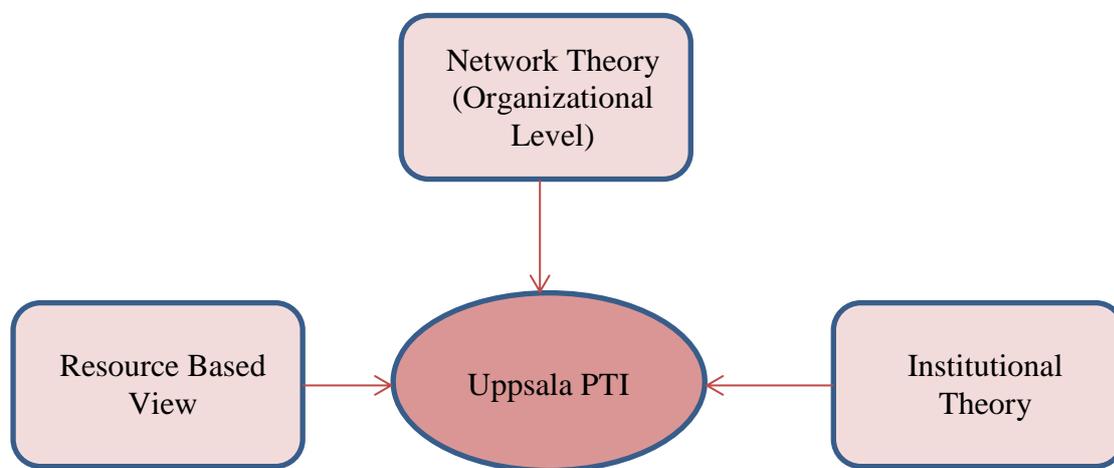
The Uppsala PTI model relies heavily on the Behavioural Theory of the Firm (Cyert and March, 1963) and the theory of the Growth of the Firm (Penrose, 1959). It describes a gradual stages development which is constrained by a lack of knowledge and resource. Foreign experiential knowledge is the key regulator to an increase in foreign commitment (Autio et al., 2000), and knowledge of foreign markets and operations is increased through the commitment to foreign markets. Growth is incremental and begins in markets that are similar to the home market in terms of language, culture and institutions, all of which affect the flow of information between the firm and the market (Johanson and Wiedersheim-Paul, 1975). The impact of different languages, cultures and institutions is often considered in terms of “psychic distance” between the home country and potential international markets. Psychic distance was described by Johanson and Vahlne (1977) as the sum of factors that prevent the flow of information from and to the market. Nordstrom and Vahlne (1994) described psychic distance more widely, as factors that prevent or disturb an organization’s learning about and understanding of a foreign environment.

Critics of the Uppsala PTI model have argued that an increasing number of organizations did not follow the gradual process suggested by the Uppsala PTI model and indeed some organizations became almost international from inception (Oviatt and McDougall, 1994). Forsgren (1989) argued that the Uppsala model only appeared valid in the early stages of the internationalization process

when limited market knowledge and resources act to limit international expansion. Other critics argued that the model did not address the issue of how the process began initially (Oviatt and McDougall, 1994), and still others argued that the model was too deterministic (Melin, 1992; Reid, 1981). The Uppsala PTI model will be considered in greater detail in the next chapter.

Related and influential theories/perspectives include the resource based view, institutional theory and network theory. These are shown below in figure 8.

**Figure 8: Summary of the Main Theoretical Influences within the Uppsala PTI Model**



### Resource Based View

The resource based view is an organizational theory or perspective which focuses on the individual firm specific advantages that drive strategy and performance. This identifies internal strengths and weaknesses. It is an approach that can be used to analyse the strategic resources of a business at ground level and can, at least in theory, be used not only to analyse, but also to make future decisions based on its findings in terms of market strategy (Barney, 2001). The RBV is concerned with the competitive advantage that is attained by the distinctiveness of an organization's capabilities. Competitive advantage can be achieved through either unique resources, or more often, differentiated core competences. These may include transferable knowledge and skills (Barney, 1991; Teece, Pisano and Shuen, 1997). A sustainable competitive advantage can be achieved over time by maintaining or building on existing core competences or developing new core competences. In order for short term competitive advantage to become longer term sustained competitive advantage, then according to Barney (1991), core competencies should be valuable,

rare, inimitable and non-substitutable. These are also known as the VRIN criteria. Such core competencies can be either tangible but are more often intangible, such as knowledge and innovation. This framework has been the basis of further research and development. According to Lockett, O'Shea and Wright (2008), the work of Wernerfelt (1984) made him one of the founding fathers of the RBV, although some trace its origins in the work of Penrose (1959), who had argued that specific capabilities gave each firm its unique character and advantages. Further development of the RBV approach of strategic management was undertaken by others including Barney (1986, 1991). Routines within a firm's competences help to explain much of a firm's decision making in terms of inertia, knowledge base, path dependence and management (Dosi, 1992; Dosi, Freeman, Fabiani and Aversì, 1992). Expansion into areas of lower expertise and experience reduces competitive advantage, whereas the successful leveraging of high expertise, routines and resources result in successful integration. The organization's gradual acquisition, integration and utilisation of knowledge about operations and new markets (a resource based view) lead to the gradual increase in commitment to new foreign markets. Knowledge can include network knowledge, which is part of market knowledge acquired through current business activities and business interactions. The Uppsala PTI model implies that internationalization is constrained by factors such as a lack of knowledge and the perception and aversion to risk.

## Institutional Theory

The Institutional Theory approach provides a non-economic explanation of organizational behaviours and strategies in business markets. It can help to explain the influence of "psychic distance" and "market settings" (Jansson et al., 2007) on the organisation. Institutional theory takes into consideration the systems around the organization that shape the organization's behaviour (Di Maggio and Powell, 1991; Scott, 2008). The importance of institutional influences was highlighted by North (1990) who argued that it was necessary to understand the institutional framework that surrounded an organization in order to understand and explore that organization's strategic choices. Institutional rules that organizations and individuals are expected to follow are derived from regulatory structures, governmental agencies, laws, courts, professions and scripts and other societal and cultural practices that exert pressures of conformance. Institutions thus define what is appropriate in an objective sense and render other actions unacceptable or not worthy of consideration (DiMaggio and Powell, 1991). Conforming to the rules and norms of the institutional environment enhances the position of security and legitimacy (Meyer and Rowan, 1991; Scott, 2008). This approach is particularly popular in the fields of political science and economics where the focus is on governance structures or sets of rules. According to Scott (1995; 2008) social and

institutional behaviour influences the operation and development of organizations. He proposed three pillars; namely the regulative pillar (push and pull effects), the normative pillar (the quest for legitimacy by conforming) and the cognitive pillar (the right thing to do, based on beliefs and values). These factors all play a part in strategic decision making when dealing with and within institutions. The regulative pillar is often based on legislation, regulations, agreements and standards. These guide behaviour by so called 'rules of the game', monitoring and enforcement. The normative pillar is based on organizational and individual behaviour and is often defined by what is appropriate or expected within the institutional framework. The final cognitive pillar is often focused on individual behaviour which is based on subjectivity and constructed rules (that may change over time) that define appropriate beliefs and actions. The cognitive pillar is particularly important at the individual level in terms of culture and language. The normative and cognitive pillars are popular approaches in the fields of sociology and organizational theory where the focus is on legitimacy and acceptance by meeting the socially constructed norms of societal groups and cultures at both group and individual level. Strategic and economic activity is embedded in social and normative contexts, and organizations are often motivated to seek legitimacy or approval for their actions, particularly from those on whom they depend for critical resources (Oliver, 1997). Institutions can reduce transaction and information cost, which can reduce uncertainty and provide a stable environment for transactions to take place or can obstruct, interfere and increase costs. The role of institutions and business networks play a particularly significant role within the Chinese economy. According to Jansson and Ramström (2005) the core of the Chinese business network, the family business system, has been dominant throughout South East Asia. It has played an important role during the rapid liberalisation of markets and the privatisation of companies. Chinese markets exhibit a network type structure and have become not just the organising principle, but also the institutional medium of economic activity (Hamilton, 1996). The focus of the Chinese business network is the collective or networks itself; the network is perceived to prevail over the organization and the relationships emanate from a network of persons (Jansson et al., 2007). This network institutional factor is one of the reasons for the lack of success in using the traditional organizational and internationalization theories developed in the Western world. It is generally accepted that organizations operating in Chinese markets must adopt different strategies in order to meet this different environment. Yiu, Lau and Bruton (2007) concluded that home country network ties were important in facilitating firms in emerging economies to pursue international venturing, highlighting the fact that both home and host country institutions were important.

Institutional theory can be used to predict the best ways to expand operations into new areas in a way that best suits the local institutions and social environments. The institutional theory perspective is often considered in new foreign and emerging markets in combination with other approaches (Wright et al., 2005; Yamakawa et al., 2008). Institutional influences may have significant impact on the modes of expansion employed. The use of overseas agents or managers can lead to issues of corporate governance and policy compliance, which can impact on cost and efficiencies. Walsh, Wang and Xin (1999) considered the different perceptions of local and foreign managers, Selmer (2000) researched which foreign nationals adjusted better to work in China and Zhang, George and Chan (2006) adopted social identity theory in studying the performance of local management. Work on restructuring and corporate governance has included Jensen (1993) and Thompson and Wright (1995). Clearly the institutional approach has less to offer when the institutional and cultural background are similar. A difficulty that is encountered with this approach is the lack of a consistent set of measurements of institutional influences. This limits the generalizability of findings and makes the study of individual emerging markets more complex (Hoskisson et al., 2000). The importance of cultural and institutional settings within the Chinese context was highlighted recently by Cao et al. (2011) and Cardoza and Fornes (2012).

The role that networks played in reducing risk and uncertainty was highlighted by the inclusion of the influence of networks in the later revised versions of the PTI model (Johanson and Vahlne, 2009).

## Network Theory

The importance of networks to internationalization was highlighted by Johanson and Mattsson (1988). All organizations are linked in the marketplace through linkages with their customers, suppliers, sub-contractors and influential stakeholders. Internationalization is seen as a natural progression following on from foreign networks (Johanson and Mattsson, 1988). Networking can provide a source of market information and knowledge that helps to develop links between customers, suppliers, industry members, distributors and regulatory and public agencies and other market actors (Abdullah and Zain, 2011). Networks can thus act as a bridge that can help to overcome barriers and allow internationalization to take place with reduced risk. Such networks are based on trust, knowledge, mutual interest and commitment. Johanson and Mattsson (1988) proposed that as firms internationalize the number of relationships and the strength of the relationships in the network increased promoting further internationalization. The use of networks helps to gain penetration and that penetration can help firms to gain integration through the network with other firms in other countries. The increased international integration helps to gain

increased access to new markets and new resources. Networks can be of particular value to SMEs undertaking internationalization as networks can help SMEs to position themselves in foreign markets (Abdullah and Zain, 2011). It has been argued that one of the reasons that high tech organizations do not exhibit a gradual PTI type expansion is that they are able to achieve a faster internationalization through the use of network partners to facilitate the process (Mitgwe, 2006). The study of inter-firm networks and the effect they can play as an effective business strategy has received considerable attention. The strategic use, development, and the potential for such networks have been considered from numerous perspectives but the fragmented approaches have resulted in the field remaining nebulous (Wang, Ahmed and Worrall, 2004).

## **B. Alternative Stage Models**

There has been a number of alternative internationalization stage models developed including those by Biley and Tesar (1977), Cavusgil (1980) and Czinkota (1982). Many of these models focus on the early export stages of internationalization and come from the export stream of literature. They can be regarded as organizational or behavioural based models (Andersen, 1993). These stage models describe the stages of export development by categorizing the individual stages but do not attempt to explain the process of the firm's internationalization. One of the major criticisms for the use of these models in research is the difficulty in differentiating at what stage an enterprise is at any particular time (Andersen, 1993). A selection of the internationalization stage models will be considered in more detail in the export model section.

### **3.3.3 Economic Approaches to Internationalization**

These theories emanate from the field of mainstream economics and assume perfect information and rational decision making. They have been largely developed for the international development of MNEs and subsequently focus on the later stages of internationalization. The economic approach to internationalization has been highlighted as particularly useful for siting single production facilities in the later stages of a MNE's internationalization (Vahlne and Normstorm, 1993). Whilst, the Uppsala PTI and INV theories (which are the focus in this research) are not economic approaches to internationalization, the transaction cost approach is said to be influential within the INV theory of internationalization. The transaction cost approach will be considered within this section.

Early work by Vernon (1966) considered the economics of the lifecycle of the production of a maturing product within an international firm. His product lifecycle theory of international trade was found to be a useful framework for explaining and predicting international trade patterns as well as

MNE expansion (Morgan and Katsikeas, 1997a). He argued that “In sum companies’ trade so as to increase revenues, reduce costs and/or mitigate risk i.e. to increase the expected utility of profit”. Although not strictly an internationalization theory, this work highlighted the different advantages in different production locations over time in order to gain the maximum benefits from firm and country specific advantages. He approached this work purely from the position of the product and he later developed his product cycle theory to the oligopolistic market scenario (Vernon, 1971). This work highlighted the benefits of internationalization through the use of comparative advantage offered by different locations. This also maximised profit by placing products in different markets in order to extend the products life. Vernon (1979) also argued that the sequential internationalization process based on product innovation characterised, in particular, the internationalization of innovative SMEs. Such SMEs do not necessarily have sufficient resources and capabilities to innovate for global markets, and as a result begin with a home based innovation and move gradually towards the possibility of exporting and then foreign investment overseas (Cassiman and Golovko, 2011).

Buckley and Casson (1976) concluded from their empirical study that it was the role of the multinational enterprise as a developer and transferor of various knowledge and skills through internalisation, along with their ability to use them across borders that resulted in their success and growth. In essence, firms internalize missing or imperfect external markets until the costs of further internalization exceed the benefits, and firms choose locations for their activities that minimise the overall costs of their operations (Buckley et al., 2007). This work highlighted the importance of internalization and location in the internationalization process.

An approach that combined transaction cost, location theory and resource based factors is the eclectic paradigm proposed by Dunning (1981; 2001) in which there are three key factors that motivate internationalization. The eclectic paradigm brings together threads from previous theories and proposes that ownership, location and internalization advantages are the driving (OLI) forces that motivate a firm to expand internationally. Ownership advantages are firm specific advantages, location advantages are country specific advantages and internalization advantages are those that can be realised from factors such as the value chain, management skills and knowledge. The OLI model adopts a ‘push orientated’ dimension from the internationalizing organization seeking to gain some strategic objective. This approach offers a more comprehensive approach to understanding the factors that motivate firms to internationalize. Success will be dependent on many factors including implementation, organizational structure, transaction cost, institutional considerations and the ability to transfer knowledge and skills. These views reflect a direct relationship between firm

specific ownership advantages and the pursuit of FDI. Organizations exploit their assets, leveraging their firm specific advantages, to gain competitive advantage.

The transaction cost (TC) approach is largely based on the work of Williamson (1981), although some trace its origins to the much earlier work of Coase (1937) who considered the cost of organising production in his work *'The Nature of the Firm'*. Williamson (1981) describes the TC approach as "An interdisciplinary approach to the study of organizations that joins economics, organization theory and aspects of contract law" (p573). It is based on the study and quantification of all transaction costs and efficient economising. These transaction costs not only include the costs associated with adding value but all peripheral costs. The main determinants of transaction cost are frequency, uncertainty, limited rationality, specificity and opportunistic behaviour. This has led to research into multidivisional structures (Hoskisson, Hill and Kim, 1993) and vertical integration and strategic alliances (Kogut, 1988). Transaction cost approaches to internationalization have included that of Bartlett and Ghoshal (1989), who suggested a company's ability to succeed in the international competitive environment, was partly based on its ability to develop a transnational organizational capability. Rugman and Verbeke (1992) used a transaction cost approach (transaction cost based theory of international production) to consider in more detail the firm specific advantages (FSA) and country specific advantages (CSA) in expanding abroad and the factors that were required to produce strong transnational organizations as opposed to international and multinational organizations. These findings tend to suggest that management structure is a critical factor in this type of operation and must be considered as part of the transaction cost approach.

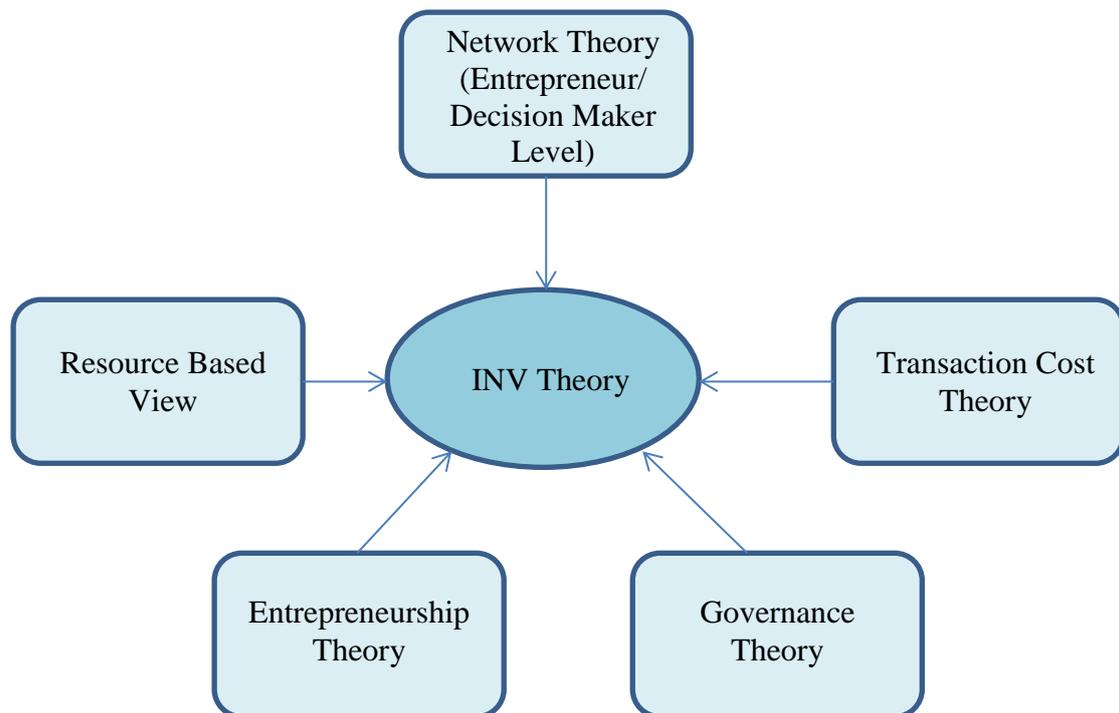
### **3.3.4 The International New Venture Approach to Internationalization**

To answer the criticisms of the stages model approaches and also to take into account the appearance of organizations at an international level almost from inception, Oviatt and McDougall (1994) developed the International New Venture (INV) theory of internationalization. These organisations did not follow a gradual stages type of development but instead were able to leverage the resources and skills they required wherever they were available. INVs were possible because entrepreneurs possessed a range of entrepreneurial qualities and attributes, were both willing and able to make strategic choices, to adopt an aggressive international expansion strategy, and bear the risks associated with those decisions (Oviatt and McDougall, 1994). This approach focused on the entrepreneur and their entrepreneurial skills rather than the organization which was the basis of the PTI model. The INV theory can be considered to be based on a number of approaches including

entrepreneurship theory, the resource based view, governance theory and transaction cost theory (Liu et al., 2008). The INV theory will be considered in greater detail in the next chapter.

Related theories/perspectives include entrepreneurship theory, the resource based view, network theory and transaction cost theory. These are shown in figure 9.

**Figure 9: Summary of the Main Theoretical Influences within the INV Theory**



### Entrepreneurship Theory

The study of international entrepreneurship is where the study of international business and entrepreneurship theory comes together with many important implications for international management, entrepreneurship and strategic management (Autio, 2005; Keupp and Gassman, 2009; McDougall and Oviatt, 2000). There have been many attempts to define international entrepreneurship and researchers have adopted a wide variety of definitions on which to base their studies. There is no unifying paradigm present within the field of international entrepreneurship and there is a wide variety in both the theoretical and methodological approaches (McDougall and Oviatt, 2000). According to Keupp and Gassman (2009), this problem is directly traceable to a lack of definitional rigour regarding what international entrepreneurship actually is.

Oviatt and McDougall's (1994) original definition, is considered the starting point of international entrepreneurship research (Autio, 2005). In developing the INV approach, they defined an INV as "A business organization that, from inception, seeks to derive significant competitive advantage from the use of resources from and the sale of outputs to multiple countries" (Oviatt and McDougall, 1994, p.40). This approach had the effect of limiting the study of entrepreneurship to small and newly formed enterprises. McDougall, Shane and Oviatt (1994) suggested that many newly internationalising firms internationalize at an early stage because of their entrepreneurial abilities and outlook. The emphasis on newness and size was later relaxed to make the size and age of the enterprise less critical. International entrepreneurship was redefined as "New and innovative activities that have the goal of value creation and growth in business organizations across national borders" (McDougall and Oviatt (1997: p.293). International entrepreneurship has subsequently been described as "A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations" (McDougall and Oviatt, 2000, P. 903). This description of international entrepreneurship focuses on the behavioural aspects of the entrepreneur. The importance of opportunity recognition to international entrepreneurship was highlighted in a further refinement in the definition by Oviatt and McDougall (2005a). They redefined it as "The discovery, enactment, evaluation and exploitation of opportunities, across national borders, to create future goods and services" (Oviatt and McDougall, 2005a: p.26). Research has been undertaken on the basis of many of these definitions and work has been extended to look at the influence of international entrepreneurship in older, larger, and more established enterprises, and at many of the individual qualities and attributes that entrepreneurs possess and bring to bear on the enterprise. The development of international entrepreneurship theory owes much to the development of the INV theory of internationalization.

## Resource Based View

The Resource Based View (RBV) has been described in some detail earlier in the Uppsala PTI influential theories section. It is an important influence within the INV approach, in regard to the capabilities and assets of the organization which enable the organization to expand internationally (Oviatt and McDougall 1994; Westhead et al., 2002). It can be seen in the description of the successful leveraging of resources, skills and opportunities in order to create competitive advantages in new markets. INVs are able to maximise their cross border competitive advantages in a relatively short period of time in order to take full advantage of what may be short-lived opportunities.

## Network Theory

Network theory has been discussed previously in the Uppsala PTI section of influential theories. In the case of the INV theory, it is not the organizational networks developed over a period of time that are important, but instead the use of personal contacts and networks that are used to rapidly develop interaction with local firms and customers. The entrepreneur is able to bypass the slow gradual accumulation of knowledge by utilizing their entrepreneurial skills and knowledge to tap into new contacts and networks. In this way entrepreneurs are able to leverage their capabilities by establishing dynamic linkages to customers, contacts and networks. Indeed, entrepreneurs are often able to organize and inspire network members into achieving shared goals through their entrepreneurial networking competence (Peter, 2005; Platt, 2004). Entrepreneurs use networks at a personal level and in that way they are able to choose and manage the network to which they belong (Oviatt and McDougall, 1994).

## Transaction Cost Theory

Transaction cost theory was previously discussed in the economic approaches to internationalization section. The influence of the transaction cost approach within the INV framework can be seen in the way in which the entrepreneur leverages cross border resources in order to achieve competitive advantage, including low costs, in order to take full advantage of newly identified opportunities. In short, in the ability of the entrepreneur to engage in opportunistic behaviour in order to develop a transnational organizational capability by taking advantage of competitive advantages (including cost) in new markets through cross border combinations.

### **3.3.5 Internationalization of SMEs from Emerging Markets**

Consideration will now turn to the application of accepted internationalization theories in relation to emerging markets, which are often low income, rapid growth countries adopting economic liberalisation to drive their growth. Initially, attempts were made to transfer the models based on organizations from the developed world into those in the developing countries. It soon became apparent that findings in a developed economy could not be assumed to be equally applicable in an emerging economy (Buckley et al., 2007; Liu et al., 2008; Mathews, 2006). Furthermore, it was apparent that new approaches were needed to understand the concept of organizations 'born global', often apparently in the 'wrong place' (Doz, Santos and Williamson, 2001) and the success of the so-called 'Asian Dragon multinationals' (Mathews, 2006). Many of these organizations did not appear to be governed by the generally accepted principle that organizations internationalized on

the back of a definable competitive advantage that enabled them to obtain a big enough return and advantage to cover the costs and risks (Buckley and Ghauri, 1999). Often in these cases it was not so much asset exploitation or market seeking behaviour but instead it was an asset augmenting approach, where new knowledge and skills were learnt, linked and leveraged. This behaviour is often seen among latecomers or organizations with few technological capabilities who adopt this approach in an effort to reduce that gap (Mathews, 2006).

Hoskisson et al. (2000) considered the emerging markets from four theoretical perspectives; namely institutional theory, transaction cost economics, RBV and agency theory. Agency theory is concerned with the problems associated with agency relationships. These include situations where the desires or goals of the principle and agent conflict, and the problem of risk sharing when the principle and agent have different attitudes towards risk (Eisenhardt 1989). It can often be difficult or expensive to verify what the agent is actually doing over long distances. According to Barney and Hesterly (1999), the essence of agency theory is to understand the causes and consequences for organizations of goal disagreements. Hoskisson et al. (2000) suggest that in the early years of market emergence the institutional theory perspective is prominent in helping to understand the strategy of organisations. This can be understood in terms of cultural differences, institutional behaviour and local customs. Agency theory is also important at an early stage in a firm's overseas expansion if foreign management is employed to ensure corporate governance. They argue that as markets mature, transaction cost economics, and then later the RBV, becomes more influential. They concluded that multi theoretic approaches often gave a better understanding of the internationalization process than one individual perspective.

Child and Rodrigues (2005) considered why Chinese firms were motivated to internationalize. Traditional theory suggests that firms internationalize to take advantage of their competitive advantages, as has been discussed earlier or to escape highly competitive markets in order to operate in markets which are less competitive. They proposed that in some cases, Chinese firms are generally expanding and investing abroad in order to make up for their competitive disadvantages. They identified three ways in which organisations can achieve this. By the use of the process of original equipment manufacturing (OEM) or joint venture partnerships (both types of inward internationalization), or by acquisition and expansion abroad (outward internationalization) in order to gain technology, knowledge, organization skills and increased long term potential to develop their own competitive advantage. Having gained these advantages, they are not only in a position to grow abroad, either through partnerships or FDI, but also able to become more competitive at home. This

turns much of original theory on its head and highlights the importance of latecomer perspective, catch up strategies, institutional analysis and the development of institutional skills with partners.

The success of multinational enterprises (MNEs) developing out of the Asia Pacific region was considered by Mathews (2006). He proposed that the success of these enterprises from emerging areas, in becoming international forces, was due to the combination of the rapidly globalizing markets and the strategy of these companies with their latecomer advantages. Indeed, the resource based strategy, normally applied to organizations in developed economies did not necessarily apply in such cases (where advantage was obtained from having superior resources that could be used abroad). The eclectic paradigm or OLI theory (Dunning 1981) based on ownership, location and internalisation to produce multinational advantage did not fit the situation in emerging economies. Instead, their advantage came from repeated 'linkage, leverage and learning' (LLL framework) (Mathews, 2006). Resources were advantageous when they were transferable and could be imitated e.g. skills, technology and management expertise. This attempts to explain the asset seeking or augmenting approach. However, it has been argued that this division is not quite so clear cut, as "The investing firm has to possess certain unique and at least some sustainable advantages" in order to undertake overseas expansion (Dunning 2006). Mathews (2006) concluded that because their strategies fitted and benefited from world globalization, they could threaten long established MNEs in developed countries over the longer term. A similar conclusion had been reached earlier by Doz (1997) who had considered companies that had sprung up in the 'wrong place'. Doz argued that global leading enterprises born in the wrong place were the most advanced at unlocking the potential of knowledge. They then mobilised and leveraged technologies and market knowledge in order to compete. In short, location is not a major factor for a multinational company in which innovation is global from the start. This again underlines an important principle, which is that emerging markets require a different approach in order to understand the operation and the underlying theory behind their organizational development.

Wright, Filatotchev, Hoskisson and Peng (2005) built on the work of Hoskisson et al. (2000) and also considered the internationalization of firms from emerging economies using the same four perspectives; institutional theory, transaction cost theory, RBV and agency theory. They concluded that the process was not as linear as had previously been envisaged. Institutional influences had the greatest impact initially and were important for a longer period of time if the development of institutions was slower. They also suggest an integration of institutional and agency theory may be useful in future approaches. Yiu et al. (2007) have highlighted the importance of the institutional

characteristics of the emerging economies when organizations decide to pursue internationalization. The importance of institutional rules and norms had earlier been considered by Oliver (1991) who argued that when institutional rules or norms are broadly diffused and supported, then organizations will tend to acquiesce to the pressure because their social validity is largely unquestioned. Deng (2009) highlighted the role of the state as a source of institutional pressure, "As the (Chinese) government's 'Go Global' strategy is socially valid and pervasive in China, compliance with the regulative environment is likely to yield external legitimacy for the Chinese companies, thereby propelling them to invest abroad for strategic assets".

Yamakawa et al. (2008) have considered what drives new ventures to internationalize from emerging economies. They developed a framework, which was based on three of the leading perspectives, namely industry based, RBV and institutional based view. All of these perspectives play a role in the decision to internationalize from emerging to developed economies. This paper, similarly to Hoskisson et al. (2000), promotes the use of combined perspectives and underlines the importance of a better understanding of the role institutions play. Other combined approaches have included Peng (2006) and Yang and Terjesen (2007).

Cardoza, Fornes and Xu (2011) noted that recent literature seemed to agree that mainstream internationalization theories developed from Western economies did not entirely apply to the specifics of emerging markets. More recent theoretical models including Mathews (2006) and Yamakawa et al. (2008) were more suitable approximations. A better understanding of the interaction between internal factors, external factors and the institutions was required to better understand the internationalization process. Some authors believe that multi theoretical approaches or nested approaches offer the best way to understand these organizations in emerging economies such as China (Buckley et al., 2007). Clearly, it is necessary to extract and combine key applicable strands of theory and use these in order to understand the overall dynamics of the Chinese and emerging markets contexts.

Alternative approaches to understanding internationalization from emerging economies include those from the behavioural stream of literature. These approaches include the Uppsala Process Theory of Internationalization and the International New Venture Theory of internationalization, both of which have been adopted in order to investigate internationalization from emerging economies. Elango and Pattnaik (2007) have suggested that the PTI model should be particularly useful for explaining internationalization from less developed and emerging economies, whilst

others find significant evidence of support for the INV approach (Naude and Rossouw, 2010). Still others find only partial support for both approaches (Liu et al., 2008).

The next section will consider behavioural internationalization models that have been developed in an attempt to understand the sequence and the process of internationalization. It will focus particularly on the Process Theory of Internationalisation and the International New Venture theory. The early export stage of internationalization will also be considered in some detail along with a number of stage export models.

### **3.4 Behavioural Internationalization Models**

A number of models have been produced in an attempt to explain the internationalization of enterprises from a behavioural perspective. They seek to explain the behaviours and the attributes that are required to develop along the models projected trajectory. Two of the most popular models to come out of the behavioural stream of literature are the Uppsala Process Theory of Internationalization (PTI) and International New Venture (INV) theory of internationalization. This chapter will highlight key themes from within these models and highlight the differences in theoretical dimensions and logic.

#### **3.4.1 Internationalization and the Role of Experiential Knowledge**

The resource based view focuses on the distinctive firm specific assets, skills and knowledge of the organization (Barney, 1991). To gain competitive advantage organizations must leverage their existing knowledge and create new knowledge that enhances their position in their chosen markets. Knowledge management is one of the core competencies or distinctive capabilities that confer competitive advantage. In terms of intangible resources, knowledge is perceived to be one of the most valuable strategic resources that an organization possesses. It is imitable and sustainable when acquired (Grant, 1996; Teece, 1998). This has led on to an extension of the resource based view to the so called knowledge based view of the firm (Grant, 1996). This approach focuses on the creation, transfer and application of knowledge. The success and performance of the organization is based on its knowledge base and capabilities relative to its competitors. Knowledge management is the organization's ability of acquiring, sharing and utilising its knowledge assets in order to sustain competitive advantage. Knowledge constitutes one of the leading factors behind a company's international behaviour (Casillas, Moreno, Acedo, Gallego and Ramos, 2009), and plays a central role in both the PTI and the INV models of internationalization. In the former model, foreign experiential knowledge is a key regulator of resource commitments to foreign markets. In the latter model,

entrepreneurial knowledge and vision are the key drivers to successfully taking advantage of international opportunities (Autio et al., 2000).

According to Johanson and Vahlne (1977), knowledge can be classified as either objective or experiential knowledge. Objective market knowledge can be “Taught” (Johanson and Vahlne, 1977, p. 28) or “Obtained from secondary or primary sources” (Seringhaus, 1986, p.27). Experiential knowledge “Can only be obtained through personal experience” (Johanson and Vahlne, 1977, p.28) and “Must be personally acquired through direct market or customer contact” (Seringhaus, 1986, p.27). Johanson and Vahlne (1977) concluded that experiential knowledge was the critical kind of knowledge because it provided the framework for perceiving and formulating opportunities. It enabled managers to recognise opportunities, evaluate them and take the necessary action in order to achieve their objectives.

In The PTI framework, experiential knowledge about foreign business environments influences the level of risk perceptions of enterprises when they make commitment decisions (Cavusgil, 1980; Johanson and Vahlne, 1977; Zou and Ghauri, 2010). Internationalization takes place through a series of incremental steps or decisions whilst the most important obstacles are a lack of knowledge and resources (Johanson and Wiedersheim-Paul, 1975). The most valuable knowledge for decision taking abroad is knowledge that has been acquired through experience (experiential knowledge) and meets the needs and objectives of the organization (Johanson and Vahlne, 1977). The accumulation of knowledge is based on a gradual and repetitive process where increased knowledge leads to increased commitment to foreign business activities, which then leads to further increased knowledge and further increased commitment. This circular model of increasing knowledge and commitment to international markets is driven by the increase in experiential knowledge acquired through the cycle. According to the PTI model, organizations will act to minimise the degree of uncertainty and perceived risk. As a result they will initiate the international process in countries that are either physically or psychologically closer to their own. Over time, as their knowledge base and their resources increase, they will then initiate their internationalization further afield. According to Eriksson, Johanson, Majkgard and Sharma (1997), there are two learning phases in internationalization. The first is internal learning on how to internationalize (firm specific knowledge) and the second is foreign market learning (country specific knowledge). The former type of knowledge is the firm specific internationalization knowledge (experiential knowledge about how to adapt resources and capabilities to engage in international operations). This type of knowledge enables the enterprise to take the appropriate actions in order to take advantage of international

opportunities. The latter type of knowledge can be split into two types. These are foreign business knowledge (experiential knowledge from dealing with the market, customers and competitors) and foreign institutional knowledge (experiential knowledge from dealing with institutions and legal frameworks). These two types of knowledge help the enterprise to become aware of opportunities and problems within new markets. Within the PTI model, the key knowledge is gained through first-hand experience. There are no external sources of knowledge identified in this theory. The speed that knowledge is accumulated is determined by the extent of the resource allocations made to foreign business operations. A greater commitment to foreign business operations leads to a greater accumulation of knowledge within the experiential knowledge base. The accumulation of these various components of knowledge (experiential knowledge) is largely incremental and “Requires durable and repetitive interactions abroad” (Eriksson et al., 1997, p.354). The number of countries in which an enterprise operates as well as the length of time the enterprise operates will affect the knowledge accumulation (Autio et al., 2000; Eriksson, Johanson, Majkgard and Sharma, 2000; Zahra et al., 2000). As an organization accumulates a more general knowledge about the internationalization process it can reduce the barriers, risk and uncertainty it faces in internationalizing further afield. Eriksson et al. (1997) argued that the gradual accumulation of resources over time led to later internationalization which improved the chances of business survival. It was also argued that multiple smaller steps taken during internationalization were advantageous as the enterprise was more likely to survive smaller mistakes than larger ones.

Exporting is one of the earliest stages of internationalization and Seringhaus (1993) considered the importance of export knowledge and defined it as the knowledge possessed by the exporter about how to market the enterprises products and services abroad. Wang and Olsen (2002) identified two types of export knowledge as being important to a firm’s exporting success. These were the knowledge of exporting procedures (which included financing, shipping and processing of paperwork), and the knowledge of foreign markets (including the infrastructure, cultural differences, and foreign market and institutional factors). They concluded that the enterprise’s export related knowledge and marketing expertise (knowledge of foreign markets) both positively affected export performances. This highlights the role that experiential knowledge plays, not only in the internationalization process, but also in the longer term export performance.

In order for new knowledge to be useful it must be integrated or assimilated into the organizational knowledge base. Only when this occurs does the knowledge become useful and the experiential knowledge of the organization increase. This has led to the study of organizational learning.

### **3.4.2 Organizational Learning**

The incorporation of experiential knowledge with firm knowledge is an important step in the process in order for it to be useful. According to Michailova and Wilson (2008) this can be considered in terms of Cohen and Levinthal's (1990) concept of absorptive capacity and Garud and Nayyar's (1994) concept of transformative capacity. The former cannot be replaced effectively or quickly by simply changing personnel and the latter requires the adoption of specific mechanisms to integrate the knowledge in order to make it useful. The relationship between international experiential learning and the way in which organizations incorporate the knowledge has led to the study of organizational learning (Nonaka, 1994). Organizational learning was defined by Autio et al. (2000; p.911) as "The process of assimilating new knowledge into the organization's knowledge base". It is argued that organizational learning is critical to the survival and success of the organization in the future (Senge, 1990). The organizational learning approach (Cohen and Levinthal, 1990; Huber, 1991; Nonaka and Takeuchi, 1995) has been used to investigate this phenomenon and has led to suggestions for the best conditions for the generation of new knowledge. These have included the assimilation of new knowledge close to existing knowledge; as few organizational routines that need to be unlearned as possible; the need for the assimilation and later feedback of new knowledge to take place as an intense and repetitive routine (Autio et al., 2000); and finally the understanding that the generation of new knowledge is a multilevel process (Cohen and Levinthal, 1990).

The assimilation of new knowledge close to existing knowledge is important within the PTI model framework where knowledge is gradually increased on top of previous knowledge.

The importance of unlearning old organizational routines underlines the significance of the advantages of new organizations such as INVs and 'born globals'. These organisations are less restricted by existing practices. Moen and Servais (2002) highlighted the problems that older organizations faced compared to newly established, highly specialised and aggressive organizations. Many organizations gradually become more conservative, lose their technological competitiveness and are more reluctant to use new marketing tools such as information and communication technology over time. This underlines the learning advantages of newness (Autio, 2000). Cohen and Levinthal (1990; p.135) argued that organizations can become "Locked out" of certain types of knowledge if they do not acquire it at an early stage. This can lead to "Competency traps" which can narrow their future opportunities. Furthermore, older organizations that only trade domestically will have built up networks, domestic business partners and domestic distribution channels over a period of time. This can make international markets seem both risky and costly compared to the domestic

market. Organizations that go international at an early stage will not have those domestic advantages and they will develop foreign networks at the same time as domestic ones. This means that these organizations are more likely to develop an international identity than older ones and are less likely to view foreign operations as risky or costly (Eriksson et al., 1997). Autio et al. (2000) found that early initiation of internationalization and greater knowledge intensity to be associated with faster international growth.

The third suggestion talks of the feedback of new knowledge as an intense and repetitive routine which is important within the PTI framework. This was highlighted by Eriksson et al. (1997) and Johanson and Vahlne (1990).

The fourth point, that the generation of new knowledge is a multi-level process, emphasises the importance of both individual learning and organizational learning in the generation of new organizational learning (Cohen and Levinthal, 1990).

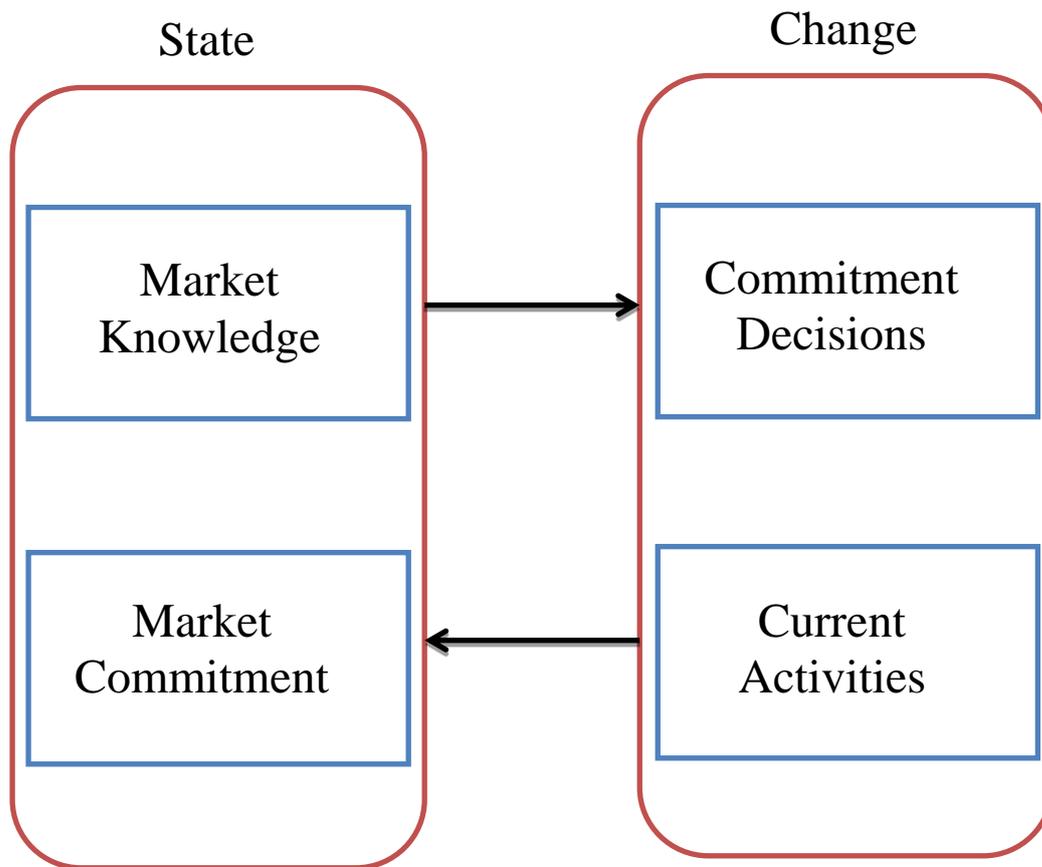
More recent attempts to understand the role of different categories of knowledge in the internationalization process have included an integrated model approach by Casillas et al. (2009) which considered prior knowledge, the acquisition of new knowledge, the integration of both sets of knowledge, action, and feedback.

The next section will consider the Uppsala Process Theory of Internationalization in greater detail and will further highlight the importance of experiential knowledge within the framework.

### **3.4.3 The Uppsala Process Theory of Internationalization**

The Johanson and Vahlne 'Uppsala' or so-called process theory of internationalization (PTI) (1977, 1990) was produced to explain the gradual and incremental stages of internationalization. It was developed from the theory of the growth of the firm and the behavioural theory of the firm. It modelled a gradual firm level progression, which led to more complex and a greater resource demanding set of international activities (including marketing, personnel and organizational activities) in increasingly distant markets. This gradual process was undertaken in small steps that reduced risk. Closer markets with less uncertainty and less psychic distance were chosen first before gradually expanding outwards towards more distant markets.

**Figure 10: The Original Process Theory of Internationalization**

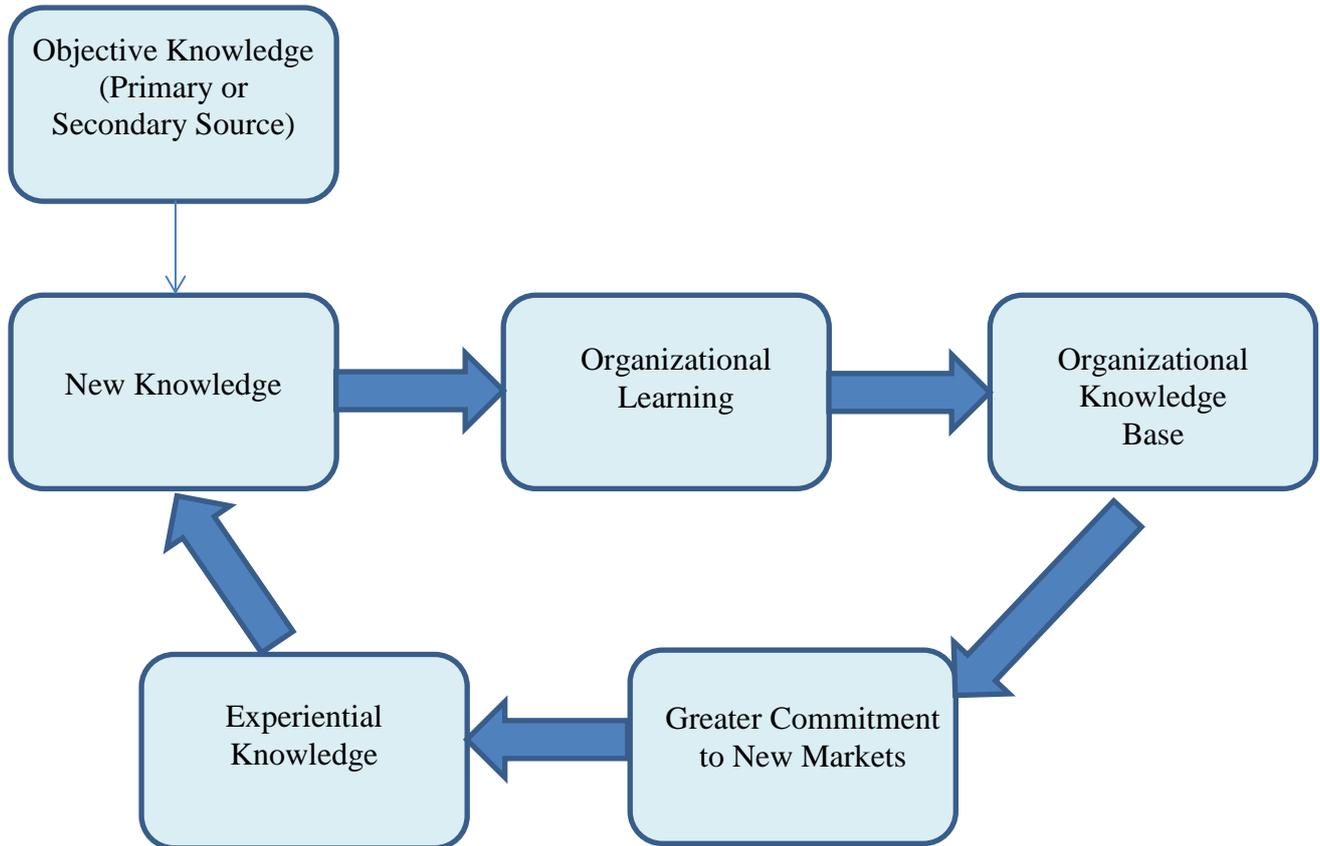


Johanson and Vahlne (2009)

This model assumes that the home market and the target international market have different characteristics, which may include culture, language, business practices and social and legal frameworks. Initially, enterprises tend to focus on the domestic market due to a lack of information about foreign markets and the process of exporting (Johanson and Vahlne, 1977, 1990). The organization's gradual acquisition, integration and utilisation of experiential knowledge of operations and new markets (a resource based view), lead to a reduction in the perception of risk involved in new internationalization, and subsequently a gradual increase in commitment to new foreign markets. Knowledge can include network knowledge, which is part of market knowledge acquired through current business activities and business interactions. This model implies that internationalization is constrained by a lack of experiential knowledge which is the key regulator of the commitment of resources (Autio et al., 2000). The gradual pattern of an organization's international development can thus be attributed to the lack of appropriate experiential knowledge and the risk or uncertainty associated with the decision to internationalize.

The diagram below (figure 11) summarizes the important role of experiential knowledge gained through involvement in new markets and assimilated through organizational learning, which in turn results in further commitment to new markets.

**Figure 11: The Assimilation of Experiential Knowledge**



Johanson and Vahlne (1990) defined three factors that could enable the process to be accelerated rather than occurring in small steps: Considerable resources, stable environments and experience from operating in similar markets.

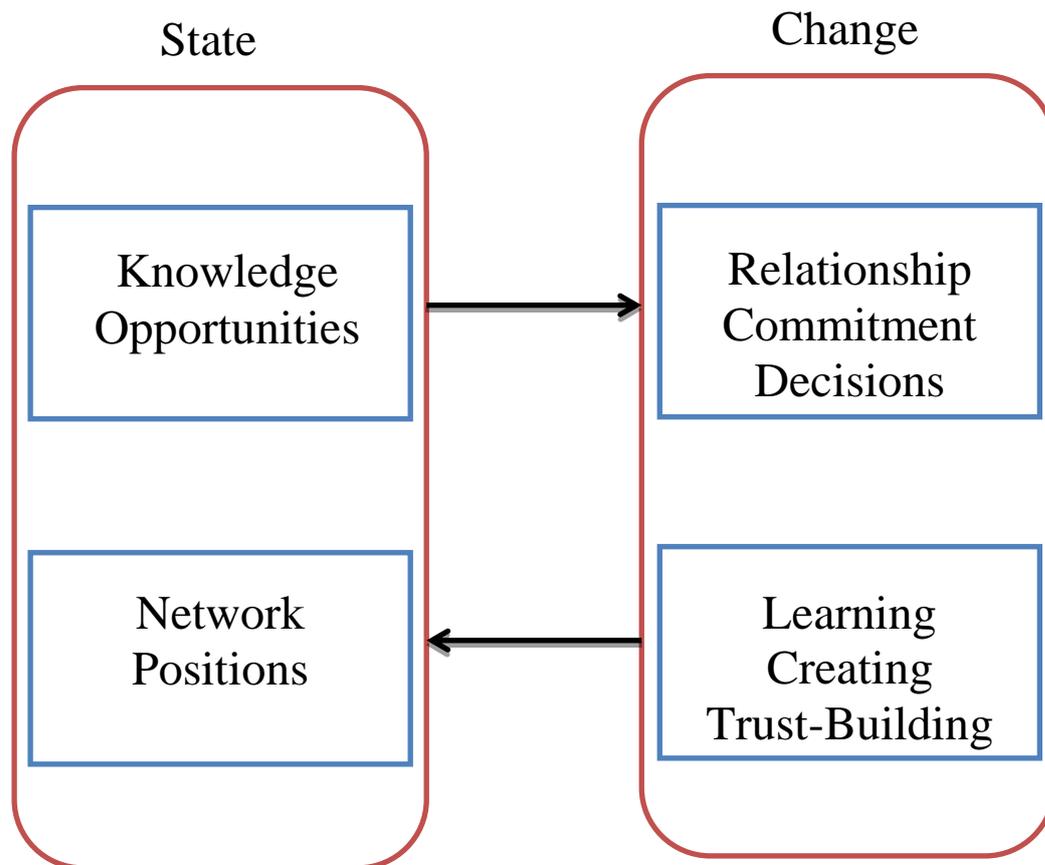
The PTI model is a dynamic model and as knowledge and resources increase, perceptions change and perceived risk decreases allowing internationalization to take place. The PTI model describes the process of internationalization once it has started but does not seek to explain the very first step in the process i.e. the first internationalization step. It is assumed that this is brought about by an unsolicited export request or it is acquired as a going concern. In essence, the organization operates within the boundaries of its existing knowledge and it remains domestic until provoked, pushed or pulled by an event such as an unsolicited export order (Autio et al., 2000). The PTI approach

emphasises the inertia and reactive character of the organization, which leaves little scope for entrepreneurial strategic input (Autio et al., 2000). Other criticisms have included the lack of recognition of the importance of strategic planning which can enable firms to leapfrog the incremental process within markets (Millington and Bayliss, 1990), intra stage evolution (Bonaccorsi and Dali, 1990) and the process of withdrawal from internationalization or reverse internationalization (Boddewyn, 1989). Furthermore, researchers have pointed out that internationalization proceeds more rapidly now than in the past (Oviatt and McDougall, 1994; Zahra et al., 2000), that variations exist between industries (Bell, 1995), and that entry into foreign markets no longer necessarily correlates with psychic distance (Madsen and Servais, 1997). Forsgren (1989) argued that the PTI model was only valid in the early stages of the internationalization process, during which time a lack of market knowledge and market resources were still constraining forces. Forsgren (1989) argued that these factors became less crucial when an enterprise was already active in several countries. Blomstermo and Sharma (2003) suggested that the Uppsala PTI was too simplistic an approach being based on a single construct (experiential knowledge) to explain the internationalization process.

Despite these criticisms the PTI model is still widely adopted in the behavioural study of the internationalization of enterprises. It has been argued, that despite criticism, the international process theory approach is still valuable in understanding the gradual internationalizing path that is often observed (Zou and Ghauri, 2010). By adapting the assumptions which have become invalid and adding new assumptions from other theories and models it allows the theory to explain the accelerated internationalization process (Kaarna, 2010).

More recently, Johanson and Vahlne (2009) have concluded that the correlation between the progression at which a company enters foreign markets and psychic distance has weakened as companies and individuals have acquired a greater knowledge and understanding of foreign environments. Psychic distance may still play an important role but the relationship between the market entry order and psychic distance may be important at the decision maker level (Johanson and Vahlne, 2003; Sousa and Bradley, 2006), rather than at firm level. Johanson and Vahlne (2009) have also concluded that business networks play an important part in the internationalization process and that the business environment is better viewed as a 'Web of relationships' or a network rather than a market of individual suppliers and customers. 'Outsidership' from the relevant networks may result in greater uncertainty and risk than psychic distance. These observations have resulted in a revised business network internationalization process model (shown in figure 12).

**Figure 12: The Revised Process Theory of Internationalization**



Johanson and Vahlne (2009)

Although the basic structure of the revised model is essentially the same as the original earlier PTI model, it has been adapted to incorporate the above themes. It extends market knowledge to include knowledge and opportunities, adds relationship considerations to commitment and decisions, replaces current activities with learning, creating and trust building, and replaces market commitment with network position. One of the implications of this model is that whilst psychic distance may play a role and less psychic distance may facilitate expansion, an organization's expansion will be affected more by their relationships and networks, which will reduce risk and uncertainty.

The shortcomings described above, along with the PTI's inability to explain rapid entrepreneurial internationalization, which was often international from the outset, led to Oviatt and McDougall (1994) developing the 'International New Venture' (INV) which is based on the role of the entrepreneur.

### **3.4.4 The Role of Entrepreneurial Input in Internationalization**

The importance of the role that entrepreneurship plays in the internationalization process is underlined in International New Venture theory (Oviatt and McDougall, 1994), which brings together threads from transaction cost theory, corporate governance, entrepreneurship theory and the resource based view (Liu et al., 2008). Oviatt and McDougall (1994) highlighted the growing importance of organizations that did not fit the sequential model of the internationalization process. These organizations focused on internationalization at a much earlier stage in their development as described earlier. This led to the development of the INV theory approach, in which the role of the entrepreneur is fundamental in understanding the behaviour of the organization (in contrast to the PTI model, which focuses on the decision making system rather than the individual decision maker or entrepreneur). This approach highlighted the importance of the founder's and management's previous experience. Organizations are not born without any history, but instead inherit those of their founders (Huber, 1991). INV or 'born global' enterprises have often been found to have founders with the benefit of previous international experience (Madsen and Servais, 1997; McDougall et al., 1994). Indeed, organizations that may appear to be new can often be considered old in terms of the experience of the founders (Argyris, 1993). This experience and knowledge helps to reduce the perceptions of difficulty when considering internationalization and this helps drive the INV entrepreneurs to seek international market opportunities much sooner after inception. Such organizations can often benefit from the so called learning advantages of newness (Autio et al., 2000), which include not having to unlearn old procedures before adopting new ones and the easier learning of new knowledge and skills. The entrepreneur develops relationships with customers, suppliers and institutions to help provide additional knowledge which increases the knowledge base of the entrepreneur and the organization (Johanson and Vahlne, 2006). Entrepreneurs take on the key decision making role in looking to identify new business opportunities through their knowledge of international markets, business acumen and organizational capabilities. In this way they can create value by utilising cross border resources without necessarily owning the assets and needing large capital resources. Entrepreneurs can utilise networks, local agents, licenses and franchise to help overcome psychic distance barriers. This process can be undertaken relatively quickly without the much slower process of gradually building up knowledge and assets, which is a major advantage in this process to secure first mover advantage in niche and dynamic markets. The INV model is based on a proactive or highly committed strategy to internationalization and the entrepreneur's previous experience plays a vital part (McDougall et al., 1994).

The entrepreneur is able to combine their knowledge of markets, opportunities, networks and management capabilities in order to produce a competitive advantage. The ability to create and take advantage of personal contacts and networks is one of the indicators of the founder's entrepreneurial competence within the INV framework (Liu et al., 2008). Johannisson (1995) underlined the importance of personal networking both in the start-up and internationalization process. Entrepreneurs use their personal contact networks to increase knowledge, seek out new opportunities and create new partnerships in order to expand into foreign markets. Such networks are used at a personal level and the entrepreneur can choose and manage the network to which they belong (Larson, 1992; Oviatt and McDougall, 1994). Furthermore, the face to face interaction helps to create the trust needed to build relationships (Schulz, Borghoff and Kraus, 2009). Entrepreneurs learn to leverage their capabilities by linking into and utilising other established firms or networks. Internationalization involves the extension of the network linkages into foreign markets (McNaughton and Bell, 1999).

There is an emerging consensus that SME internationalization is an entrepreneurial activity (O'Cass and Weerawardena, 2009; Knight 2000; Lu and Beamish 2001). Indeed, the increased levels of risk that a SME faces when entering overseas markets when compared to expansion in the domestic market helps to reinforce the entrepreneurial characteristics of the internationalization strategy. Internationalization can be considered to be an entrepreneurial activity because it is based on seeking out opportunities for enterprise growth and wealth by expanding into new markets (Lumpkin and Dess, 1996; Zahra, Kuratko and Jennings, 1999), it involves new practices (Birkinshaw, 1997) and it involves a high level of risk (Covin and Slevin, 1989; Miller, 1983). This is even more the case for a SME, which has limited resources and whose size makes an expansion into new markets even more of a risk. According to Naude and Rossouw (2010), China exhibits significant early international entrepreneurship. Based on their study of 3,948 Chinese SMEs obtained from the World Bank's Investment Climate Private Enterprise Survey, 62% of the exporting firms start export operations within three years (Naude and Rossouw, 2010). Furthermore, foreign shareholders and an entrepreneur with previous export experience significantly increase the probability that an enterprise will internationalize early (Naude and Rossouw, 2010). The foreignness of the new location has important implications for SME internationalization. The nature of the new environment being entered, compared to the domestic environment, reinforces the entrepreneurial characteristics of the internationalization strategy (Lu and Beamish, 2001). Despite this, not all enterprises exhibit the rapid internationalization behaviour that the INV model would suggest. Zou and Ghauri (2010) concluded from their knowledge case study of three Chinese high tech SMEs, that

the gradual internationalization model was still valid although high technology firms from China internationalized much faster than was suggested by earlier studies and did not follow the process suggested by 'born global' studies. Furthermore, Dimitratos, Plakoylannaki, Pitsoulaki and Tuselmann (2010, p.589) pointed out that numerous studies have stressed the fast pace of an enterprise to enter foreign markets as the "(Sole) criterion" for an enterprise to be characterised as international entrepreneurial. Many international enterprises may internationalize more slowly but still exhibit entrepreneurial qualities and abilities, whilst still others may exhibit traditional incremental internationalization. As a result, there may be internationalized enterprises other than those normally classified as INV's that may be considered as international entrepreneurial enterprises. In these cases it is the higher levels of risk attitude, innovativeness and proactiveness of the entrepreneurs when compared to the incremental internationalizers that differentiates so called INV enterprises and the international entrepreneurial enterprises from the incremental internationalizers (PTI). The over emphasis of time to internationalization in entrepreneurship research has been highlighted by a number of researchers including Zahra and George (2002) and Zahra (1993). More recent definitions of INV's have sought to place less emphasis on the time to internationalization and more emphasis on the entrepreneurial orientation and associated opportunity identification and exploitation (McDougall and Oviatt, 2000).

In a European mid-size firm study Perks and Hughes (2008) concluded that cultural context; industry environment and resource constraints do not motivate or hinder an entrepreneurial manager's decision to internationalize. The strongest influences on the decision to internationalize were the entrepreneurial manager's connection with the customer, tacit knowledge and vision and product-service complexity, which is moderated by the strength of the business case and resource based risk tolerance. This suggests a greater strategic approach than is often portrayed.

A further European study concluded that the most important influences on international market entry mode decisions were determined by the personal preferences and mind set of the entrepreneur, the nature of the product and the importance of being close to and in direct contact with their end clients. Industry globalisation, resource limitations and national culture have a limited influence on the decision making (Perks, 2009). Both of these studies highlight the importance of both the role and the entrepreneurial qualities of the entrepreneur.

### 3.4.5 Determinants of Early Internationalization (The Extent and Speed of Internationalization)

Oviatt and McDougall (2005b) proposed a classification of the determinants that influenced the speed of internationalization into enabling, motivating, mediating and moderating factors. Examples of typical categorised determinants are shown in the table below.

**Figure 13: Categorised determinants of the extent and speed of internationalization**

Category	Typical Determinants
<b>Enabling Factors</b>	Technological intensiveness, information and communication technologies, transport
<b>Motivating Factors</b>	Domestic competition, domestic regulation, institutional features
<b>Mediating Factors</b>	Entrepreneurs characteristics, perceptions, background, experience, attitude to risk
<b>Moderating Factors</b>	International knowledge, networks, learning

Compiled from Naude and Rossouw (2010) and Oviatt and McDougall (2005b)

An important influence in the INV approach is the resource based view, which focuses on the capabilities and assets that an enterprise possess, that can be utilised to expand internationally (Oviatt and McDougall, 1994). Within the INV model, internationalization takes place as a result of an entrepreneur’s strategic intent. Enterprises internationalize by exploiting their capabilities and assets overseas and these actions are moderated by, and mediated through, the external environment. This classification reflects these influences.

Clearly, the presence of enabling factors together with motivating factors will encourage the extent and speed of internationalization. In addition, positive entrepreneurial characteristics and background (mediating factors), together with extensive learning, knowledge and networks (moderating factors) will also be highly beneficial.

Enabling factors include technological and communication developments which enable access to communication and information regarding potential new markets to be more readily available. These factors have played a major part in SME internationalization through which the disadvantages associated with size and limited resources can be overcome. This has led to SMEs internationalizing at an earlier stage of their development through the use of these technological and communicational developments (Wright and Etemad, 2001). Newer, more dynamic enterprises, often possess the advantage of ‘Newness’ (Autio et al., 2000), which include not having to unlearn old procedures before adopting new ones and the easier learning of new knowledge, skills and technologies.

Motivating factors can include a highly competitive domestic market, a lack of support and protection for private enterprises (Von Keller and Zhou, 2003), adverse regulation and institutional factors.

Mediating factors are based on the characteristics of the entrepreneur, which include education, knowledge, perceptions, entrepreneurial spirit and attitude to risk. Early internationalization can be affected by the vision of the founders which in turn depends on the education and the previous experience of the founders/decision makers (Zucchella, Palamara and Denicolai, 2007). Entrepreneurial orientation is the 'Global mindset' or 'Strategic posture' of the entrepreneur or organisation's management (Acedo and Jones, 2007; Tang, Tang, Marino, Zhang and Li, 2008; Zhou, 2007). Entrepreneurial orientation allows enterprises to maximise the potential of the reconfiguration of their business assets and processes that are needed for the enterprise's adjustment to different environments (Jantunen, Puumalainen, Saarenketo and Kylaheiko, 2005).

Finally, moderating factors are based on a lack of knowledge, learning and networks. Entering new markets requires enterprises to overcome the disadvantages of a lack of knowledge and experience of new foreign markets. Knowledge, learning and networks are critical factors of internationalization in all theoretical approaches including the Uppsala PTI model and the INV theory (Naude and Rossouw, 2010). In the PTI model it is the slow and gradual accumulation of experiential knowledge and the gradual development of contacts and networks that enable internationalization to take place over time as the enterprise's knowledge base reduces the risks of expansion. Johanson and Vahlne (1990, p. 20) described internationalization as the "Process of developing networks of business relationships in other countries through extension, penetration and integration". The knowledge that is learnt from these networks and relationships is described in the social capital theory (Granovetter, 1994). Social capital can be defined as the sum of resources that an organization can access or mobilise by virtue of possessing a network of relationships (Bourdieu and Wacquant, 1992). Autio (2005) describes the connections within and between international social and business networks as 'International social capital', and is an essential foundation for enterprise internationalization. Social capital can act as a bridge between the domestic market and international markets. In contrast, INV enterprises often begin with less well developed networks and knowledge bases but accelerate their learning processes by utilising contacts and networks in a manner that rapidly develop interactions with local firms and customers. It is the role of the entrepreneur to bypass the slow gradual accumulation of knowledge by utilising their

entrepreneurial knowledge and skills, tapping into foreign contacts and networks. Zhou (2007) concluded that early internationalizing enterprises tended to gain foreign market knowledge from the innovative and proactive pursuit of entrepreneurial opportunities across national borders, rather than from the gradual accumulation of experience in foreign markets. This highlights the importance of the entrepreneur's individual characteristics as mediating factors in the early internationalization of enterprises. Entrepreneurs leverage their capabilities by establishing dynamic linkages to customers, contacts and networks. INVs are often inclined to embed themselves in well-populated social networks where they can access suppliers and customers and obtain further information and assistance from within the network (Licht and Siegel, 2006). Successful entrepreneurs are often able to organize and inspire the required network members into achieving shared goals through their networking competence (Peter, 2005; Platt, 2004). According to Obrecht (1994), it is the interactive combination between the 'entrepreneurial resource' and the 'network resources' that in essence define the strategic capacity of the enterprise. An INV's access to networks can promote not only learning and innovation (Ghauri, Elge and Tarnovskaya, 2008; Granovetter, 1994) but can reinforce reputation and legitimacy status (Park and Luo, 2001) and can help develop business operations through network partners. Entrepreneurs use networks at a personal level and in that way can choose and manage the network to which they belong (Oviatt and McDougall, 1994).

Although INVs may not begin with as large a knowledge base as enterprises that have been in existence longer, particularly in the areas of international markets and management, their newness need not necessarily be a disadvantage. Autio et al. (2000) have argued that new ventures have learning advantages of newness which allow a far more rapid uptake of new ideas and competencies. Furthermore, small entrepreneurial enterprises can often overcome the disadvantage of their size and limited networks by their adoption of technology. The internet can be used to reach customers and develop contacts and networks at an international level. Modern technology is one of the reasons put forward for the increase in SME internationalization (Andersson, 2000; Leonidou, 2004). Another reason that is put forward is the homogenisation of international markets, due to the growing liberalisation of trading systems, the expansion of regional economic integrations and the financing of cross country purchases. These factors have led to the emergence of a business environment that has never been so globalized, interdependent and connected (Leonidou, 2004). This has helped reduce many of the barriers to internationalization and makes the internationalization process less complex for SMEs and internationalization accessible at an earlier stage.

The next section will consider some of the most important individual qualities and attributes of the entrepreneur and how these qualities and attributes impact on the internationalization of enterprise.

### **3.4.6 Entrepreneurial Qualities and Attributes**

Entrepreneurs have generally been believed to take more risks than managers (Masters and Meier, 1988) because entrepreneurs bear the ultimate responsibility for the decision (Gasse, 1982). Evidence that entrepreneurs have a more positive attitude towards risk than non-entrepreneurs has been found by Begley and Boyd (1987), Carland, Carland, Carland and Pearce (1995) and Stewart, Watson, Carland and Carland (1999). However, research does not always provide conclusive evidence for this claim (Macko and Tyszka, 2009). Brockhaus (1980) cast doubt on the traditional perspective when he found no difference between the risk taking characteristics of entrepreneurs, managers and the general public in an empirical study. It has been suggested that much of this variation can be explained by the measurement of the risk taking construct used in the research. Carland et al. (1995) found that different risk taking instruments produced different results and that the route to better understanding was a more appropriate measure which takes into account a better understanding of the group of individuals. Davis, Morris and Allen (1991) highlighted the fact that entrepreneurship did not involve reckless decision making but instead a balance of the associated risks involved and an attempt to manage those risks. Denslow and Giunipero (2003) have argued that entrepreneurs are prepared to take calculated risks and can make decisions based on limited information as they possess an on-going desire to set and obtain increasingly challenging goals.

The entrepreneur's attitude towards risk is an important feature within the INV theory of internationalization. It is particularly explicit within McDougall and Oviatt's (2000, p.903) definition of international entrepreneurship as, "A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations". It is also flagged as a mediating factor in the extent and speed of SME internationalization (Naude and Rossouw, 2010; Oviatt and McDougall, 2005a). Ardagna and Lusardi (2008) concluded that fear of failure, a proxy for an individual's attitude to risk, was an important variable and negatively affected entrepreneurship in those entrepreneurs pursuing a business opportunity. Similarly, Alon and Lerner (2008) concluded that Chinese international entrepreneurship was negatively affected by the fear of failure. Styles and Genua (2008) concluded that risk taking, technological innovativeness, and autonomy in certain parts of the organization had a positive effect on the entrepreneurial stages of the internationalization of enterprises developed through the commercialisation of academic

research. Proactiveness and product market innovativeness assisted the success of the on-going business operation. Kropp, Lindsay and Shoham (2008) concluded that the start-up decision was positively related to the proactiveness and risk taking components of entrepreneurial orientation. However as they predicted, the innovativeness component was not a factor in the start-up decision. This provided support for Lumpkin and Dess's (1996) argument that these three dimensions can vary independently from one another at different stages of the internationalization process. In an in-depth case study of ten international SMEs, Dimitratos et al. (2010) confirmed that a strong entrepreneurial orientation based on proactiveness towards international opportunities, attitude to risk and innovativeness was beneficial to the global internationalization of SMEs.

The entrepreneur's experience, background and education can all play a significant part as to whether or not a firm internationalizes (De Clerq and Bosma, 2008; McNaughton, 2003; Zucchella et al., 2007). Education has been one of the most widely discussed and studied areas in the entrepreneurship literature, despite the fact that the evidence for the influence of entrepreneurship training and education on entrepreneurial activity, is mixed and still lacking (Bechard and Gregoire, 2005). Nevertheless, the intuitively appealing link between higher educational levels and entrepreneurial behaviour (business start-ups) has been supported by many including Bates (1995) and Bowen and Hisrich (1986).

It has been argued that an entrepreneur's human capital, based on their education, experience, and skills, is arguably their most important initial resource endowment (Shrader and Siegel, 2007; Wright, Hmieleski, Siegel and Ensley, 2007). Education is important in enhancing an individual's cognitive ability, which enables the individual to better recognise or identify opportunities when they present themselves (De Tienne and Chandler, 2004; Parker, 2006). A key theme within mainstream entrepreneurship theories is that such opportunities arise when the entrepreneur identifies a match between the world that they observe and their own unique skills, capabilities and social capital (Eckhardt and Shane, 2003; Shane, 2000). Shook, Priem and McGee (2003) highlighted the importance of exploitation and the entrepreneur's ability to interact with their environment leading to the discovery, evaluation and exploitation of opportunities. The process of searching and identifying opportunities places important demands on the entrepreneur's cognitive abilities.

The perception of an opportunity is a key condition or element for entrepreneurial action (Corbett, 2005; Shane and Venkataraman, 2000). Indeed, opportunity discovery can be regarded as the gatekeeper for entrepreneurial activity (Ardichvili, Cardozo and Ray, 2003; Levie and Autio, 2008). According to Shane and Venkataraman (2000, p.222), the ability to recognise opportunities can be considered to be dependent on two factors. The first is the "The possession of the prior information

necessary to identify an opportunity”, and the second is “The cognitive properties necessary to value it”. The former refers to experience based knowledge and understanding of the customers’ needs in any given area. The latter refers to the entrepreneur’s ability to understand, analyse and take advantage of all the information feedback from social interactions in the marketplace. In order to take full advantage of this ability it is necessary to translate all the information feedback into the economic language of supply and demand (Levie and Autio, 2008). The cognitive skills required for this process are considerable.

In considering the role of education on the development of entrepreneurs and their potential entrepreneurial activity, researchers have considered their educational backgrounds from numerous viewpoints. These have included the length of formal education (Lu and Tao, 2008; Nakos, Brouthers and Brouthers, 1998), levels of education (Alon and Lerner, 2008; Keng and Juan, 1988; Kropp et al., 2008) and level of entrepreneurship training and education (Gibson, Gibson and Zhao, 2011; Levie and Autio, 2008).

Using exports as a measure of internationalization, Alon and Lerner (2008) concluded that an individual’s education and skills had a positive and significant effect to exporting in their study of Chinese international entrepreneurship. They found that the level of education and skills of the entrepreneur positively affected the decision to export. They argued that this work confirmed the research of Alvarez and Busenitz (2001) and Westhead, Wright and Ucbasaran (2001), in that the entrepreneur’s individual characteristics, in general, and educational and business skills, more specifically, had a positive effect on the likelihood of export. Nakos et al. (1998) had earlier concluded that personal characteristics of the decision maker, including educational level, foreign language knowledge, residence in foreign countries and commitment to international ventures can all have a strong influence on the export performance of an enterprise. Finally, Keng and Juan (1988) concluded from a study of 142 enterprises in the Singapore context, that chief executives of exporting firms had statistically higher levels of education than their counterparts in non-exporting firms. Up to 39% of the chief executives in exporting firms had received graduate and post graduate education compared to only 6% in non-exporting firms. These findings are contrary to those of Kropp et al. (2008), who observed a negative relationship between the start-up decision and the education of the lead entrepreneurs, in a study of 539 individuals from dynamic internationally focused South African firms. The authors suggest that this may be the result of the research being undertaken in a developing country as opposed to a developed country. They suggested that less educated people start businesses because they are unable to find employment. This view is echoed by Lu and Tao (2008) in a Chinese opportunity versus risk historical survey study of entrepreneurial activities in China. This study considered the effect of the number of years of formal education. They

highlighted the balance between the 'ability argument' which predicts that higher education leads to more entrepreneurial behaviour, and the 'opportunity cost' argument which predicts that the higher opportunity costs of leaving current employment increases the risk aversion towards entrepreneurship. They concluded that education had a negative impact on entrepreneurial activity, although the effect was reduced in the post 1989 sample.

In a study that used secondary micro data collected by the Global Entrepreneurship Monitor (GEM) encompassing thirty seven developed and developing nations, Ardagna and Lusardi (2008) studied the effect of individual characteristics and countries regulatory differences on entrepreneurial activity. They concluded that regulation acted as a detriment to entrepreneurship and that several individual characteristics including gender, age and education are important determinants of entrepreneurship. Education appeared to be both positive and statistically significant determinants for individuals who became entrepreneurs in order to pursue a business opportunity. Levie and Autio (2008) observed a strong association between the level of post-secondary entrepreneurship education and training and entrepreneurial activity; in particular, support for the effect of post-secondary entrepreneurship training and education on the perception of opportunity.

According to Gibson et al. (2011) research into entrepreneurial attitudes can have important implications for the customization of entrepreneurship education and initiatives. They adopted an entrepreneurial attitude orientation model to investigate four attitudinal constructs against entrepreneurial orientation. The survey was developed from Robinson, Stimpson, Huefner and Hunt's (1991) entrepreneurial attitudes orientation survey, which was based on four attitudinal constructs. These were achieving attitude, business self-esteem, personal control and innovative attitude. They concluded that both U.S. and Chinese University students in graduate business programs had higher attitudinal scores than undergraduate business students. Chinese attitudinal scores were also significantly higher for Chinese students who had taken at least one business or entrepreneurial course. Furthermore, exposure to entrepreneurship such as family businesses or working in a small business also increased both American and Chinese scores. The authors argued that it could be inferred from the study that incorporating entrepreneurship and business education into the overall curriculum was important for the development of entrepreneurial intention in China. Other studies based on the impact of educational level on entrepreneurial attitudes have produced mixed results. Wu and Wu (2008) concluded that university students in China with postgraduate degrees scored higher than students with undergraduate degrees in personal attitude, a contributor to entrepreneurial intention. Gibson and Gibson (2010) concluded that U.S. business students with over three years of college education had a stronger innovation orientation in business attitudes than students in their first year of college.

The variability of the findings of the relationship between education and entrepreneurial activity may in part be due to the different measurements used to measure the variables and the context of the country and the educational system in which the study was undertaken.

The importance of previous international experience has been highlighted by numerous researchers including Madsen and Servais, 1997; Naude and Rossouw, 2010; Reuber and Fischer, 1997, and the effect of exposure of entrepreneurship through working in small businesses or with family members by researchers including Gibson et al. (2011).

Research has also focused on the organization itself and the level of entrepreneurship that is exhibited at an organizational level. This has led to distinct streams of literature that has focused at an organizational level rather than the individual level. However, despite the use of different terminology and expressions to describe the different types of entrepreneurship (entrepreneurship, corporate entrepreneurship, and entrepreneurial orientation), Zahra et al. (1999) pointed out that there is a consistency regarding all of the (entrepreneurship) definitions and methods of measurement.

### **3.4.7 Entrepreneurial Orientation and Proclivity**

The so called entrepreneurial orientation of an organization has emerged as a major construct within the strategic management and entrepreneurship literature in the last twenty years (Tang et al., 2008). According to Miller (1983) entrepreneurial orientation was based on innovativeness, risk taking and proactiveness. To demonstrate a high entrepreneurial orientation (be 'entrepreneurial') an organization must adopt all three dimensions concurrently. Numerous researchers have adopted an approach based on the entrepreneur's innovativeness, risk taking and proactiveness, for example Covin and Slevin (1989), Naman and Slevin (1993) and Wiklund (1999).

Lumpkin and Dess (1996) argued that entrepreneurial orientation was based on five dimensions. These were the attitude to risk, innovativeness, competitive aggressiveness, proactiveness and autonomy (the independent action of the participants to carry out the idea to completion).

Risk can be defined as "Venturing into the unknown" (Baird and Thomas, 1985, p.231) and in this context attitude to risk can be considered to be the extent to which an enterprise is prepared to undertake significant and risky resource commitments in the market (Miller and Friesen, 1978). However, although the risk taking dimension involves willingness to commit significant resources to

opportunities that have a reasonable chance of failure, these risks are moderate and calculated and not extreme risks. Entrepreneurship does not involve reckless decision making but rather a reasonable awareness of the associated risks involved and an attempt to manage those risks (Davis et al., 1991).

Proactiveness can be considered as a mind-set that focuses on introducing new products or services in anticipation of future demand (Lumpkin and Dess, 2001). It is reflected in the ability to engage in opportunistic expansion by seizing market opportunities in the process of new market entry (Lumpkin and Dess, 1996). It necessitates understanding the customer and their needs, the competitors and the environment in which the enterprise needs to operate. The activities associated with it include new opportunity identification and the evaluation, identification and monitoring of market trends. Proactiveness can also be considered as the opposite of reactivity. In this case the focus is on implementation and on making things happen, by using whatever means may be necessary. Proactiveness implies a 'hands on' management style or approach in order to overcome any barriers or obstacles (Davis et al., 1991).

The recognition of opportunities is one of the key elements within the entrepreneurial process (Schwartz, Teach and Birch, 2005) and actively monitoring the market in search of opportunities is a key element of this. Schumpeter (1934, 1942) was one of the first to highlight the importance of innovation in the entrepreneurial process in his theory of creative destruction. Key to this theoretical cycle was the role of entrepreneurship. Entrepreneurship created wealth when the existing market structures were disrupted by the introduction of new goods or services, which shifted resources away from existing firms or suppliers to new entrepreneurial organizations.

Innovation and innovativeness are key elements in entrepreneurship. Innovativeness is reflected in an organization's tendency to engage in and support new ideas, new approaches, experimentation and new processes that may result in new products, services or technological processes. It is an important element in entrepreneurial orientation because it reflects an important way through which firms can pursue and take part in new opportunities (Lumpkin and Dess, 1996). Dess, Lumpkin and Covin (1997) concluded that SMEs undertaking internationalization into dynamic, challenging and hostile environments abroad often require a strong entrepreneurial approach to strategy making. Passive behaviour can lead to deteriorating performance as competitive advantage can be short lived. Competitive aggressiveness reflects a willingness to analyse, target competitors and markets and then engage proactively in both conventional and unconventional methods of

competition (Lumpkin and Dess, 1996; MacMillan and Jones, 1984). Success is most likely to be achieved by competitive aggressiveness and a proactive approach that separates the organization and its products from the market competition. Furthermore, an entrepreneurial orientation may be advantageous in challenging and competitive environments (Dess et al., 1997). This view was echoed by Zahra et al. (2000) who proposed that enterprises could significantly increase their chances of survival and success by being entrepreneurial in both domestic and overseas markets.

A number of studies have suggested a positive linear relationship between entrepreneurial orientation and firm performance, these include Keh, Nguyen and Ng (2007), Lee, Lee and Pennings, 2001, Lumpkin and Dess (1996) and Zahra and Covin (1995), although the findings regarding the extent to which entrepreneurial orientation or strategic posture is associated with improved performance have been variable. Tang et al. (2008) found in their research conducted in China that the relationship between entrepreneurial orientation and firm performance in China was best described as a curvilinear relationship rather than a linear one. Wiklund and Shepherd (2003) concluded from their study of Swedish SMEs that the entrepreneurial orientation of an organization (the willingness to be innovative, proactive and to take risks) enhances the positive impact that an organization's knowledge base resource has on performance.

Lumpkin and Dess (1996) argued that although the five dimensions play a part in the role of entrepreneurship, different combinations of the dimensions are important at different stages of development, depending on context and the entrepreneurial activity involved. Kropp et al. (2008) found in their research that the start-up decision was positively related to the proactiveness and risk taking components of entrepreneurial orientation. Styles and Genua (2008) found that in the commercialisation of academic research, innovation, risk taking, technological innovativeness and some elements of autonomy assisted in the entrepreneurial stages, whilst product market innovativeness and proactiveness assisted the internationalization process.

Matsuno, Mentzer and Ozsomer (2002) investigated the relationship between an organization's so called 'entrepreneurial proclivity' and market orientation and how this impacted on business performance. They concluded that the three dimensions of an enterprise's entrepreneurial proclivity - an enterprise's predisposition to engage in entrepreneurial processes, practices and decision making, characterised by its organizational culture for risk taking, proactiveness and innovativeness - collectively helps to enable a firm to engage in market learning activities increasing both its knowledge base and responsiveness to the external market. Knight and Cavusgil (2004) extended this concept to internationalization by adding across national borders to the definition. Entrepreneurial proclivity has been found to play an even greater role in determining an

international enterprise's behaviour and ability to compete (Dimitratos, Lioukas and Carter, 2004) and can aid in the accumulation of knowledge resources and enhance the conversion of knowledge of suppliers (although not the knowledge of regulatory agencies) in the capability of market responsiveness (Cui, Griffith, Cavusgil and Dabic, 2006).

According to Zhou (2007) it is the international entrepreneurial proclivity that distinguishes the behaviour of the enterprise within the INV model from the traditional time and stage based behaviour of the enterprise within the PTI model. Zhou (2007) argues that for early internationalization, it is important to promote the acquisition of foreign market knowledge whilst at the same time maintaining the level of entrepreneurial proclivity, particularly the proactiveness and innovativeness dimensions.

In the field of international entrepreneurship, McDougall and Oviatt (2000) adopted the three dimension approach of risk taking, proactiveness and innovativeness in their definition of international entrepreneurship. International entrepreneurship was described as "A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations" (McDougall and Oviatt, 2000, P. 903). This definition focused on the individual characteristics of the entrepreneur. It is the individuals that carry out entrepreneurial initiatives (Schumpeter, 1934), although these initiatives take place in organizational contexts (Shane and Venkataraman, 2000). These initiatives often result in the creation of new enterprises or the rejuvenation and improved performance of established enterprises (Lumpkin and Dess, 1996; Wiklund, 1998).

Consideration will now turn to the impact of institutional influences on the entrepreneur. The success of the entrepreneur can be aided or hindered by institutional influences which can be cultural (both market and social), legal or institutional in origin. Either way, the entrepreneur must use their qualities and attributes in order to leverage whatever they require in order to achieve their goals.

### **3.4.8 The Entrepreneur and Institutional Influences**

Bruton, Ahlstrom and Obloj (2008) have warned against the transfer of entrepreneurial research findings from the developed economies to developing economies, and the need to develop an understanding of entrepreneurship in emerging economies in full recognition of their unique characteristics. These include both cultural differences and institutional influences. As entrepreneurship becomes better understood in emerging economies it will highlight how culturally bounded entrepreneurial behaviour actually is. This was highlighted by Liu et al. (2008, P. 504) who

concluded that “Normal entrepreneurship embedded in and prevailing on a developed market economy is unable to provide a satisfactory explanation of the Chinese experience”. The entrepreneurship that they studied was a bounded entrepreneurship, which underlined the unique characteristics of the international activities of the organizations studied.

The institutional theory approach has been used to explore a variety of topics in different research areas ranging from institutional economics and political science to organization theory (DiMaggio and Powell, 1991). For example, Hoskisson et al. (2000) considered the strategic internationalization of enterprises from developing economies from the institutional perspective. The institutional approach can be used to focus on institutions at the macro level or at the micro level focusing on the impact on individual behaviour (Wicks, 2001). It has been increasingly utilised as a theoretical lens to study its effect on the actions and decisions of entrepreneurs (Bruton, Ahlstrom and Li, 2010). Scott (2008) identified three categories of institutional forces, namely the regulative pillar, the normative pillar and the cognitive pillar. The regulative pillar is important in knowing and understanding the laws, legislative framework and rules of the game. The regulative background can either make a market attractive or not based on whether there is overly restrictive regulation, which can impede development (Soto, 2000), or alternatively inadequate institutional development which can complicate the setting up of new ventures (Baumol, Litan and Schramm, 2009). Government and other legislative bodies can play an important part in helping entrepreneurs to develop new enterprises. The normative pillar is important in understanding what is appropriate or expected in different social and commercial situations and the way that things are undertaken. Societies can have different norms which can either facilitate and promote entrepreneurship or discourage it either deliberately or unknowingly (Baumol et al., 2009). The cognitive pillar can operate more at the individual level in terms of culture and language (Scott, 2008) and are often based on subjectively constructed rules that can effect and limit the strategic options, actions and degree of individual agency available to the entrepreneur (Ahlstrom and Bruton, 2002; Roy, 1997). The entrepreneurs may have to take on the role of institutional entrepreneurs in order to improve the environment and to create structures that can help their business to be recognised, promoted and thrive (Bruton et al., 2010). This is particularly true in developing economies where there are weak regulative (and protective) environments, poorly developed business and professional norms and confusing or ill-defined societal norms. The entrepreneur’s knowledge, attitude to risk, proactiveness, personal networks and contacts, and previous experience can all help the entrepreneur to succeed in new and different institutional settings.

The next section will consider the INV theory in more detail and will be followed by a detailed comparison of the theoretical details and logic between the Uppsala PTI and INV theory approaches.

### **3.4.9 The International New Venture Theory**

Oviatt and McDougall (1994; p.40) defined an INV “As a business organization that from inception seeks to derive significant business competitive advantage from the use of resources and the sale of output in multiple countries”. This definition largely focused the study of international entrepreneurship on the internationalization of newly founded ventures that were necessarily small and young. The attempt to make international entrepreneurship research less dependent on organizational size and age can be traced back to McDougall and Oviatt (1997: p.293 1997). They defined international entrepreneurship as “New and innovative activities that have the goal of value creation and growth in business organizations across national borders”. A later definition of INV proposed by McDougall and Oviatt (2000) adopted a more generic definition. This could equally be applied to both INV’s and more established companies and focused more on entrepreneurial qualities rather than the particular age of the organization at initial internationalization (Zahra, 2005). International entrepreneurship was now defined as “A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations” (McDougall and Oviatt, 2000; p.903). They argued that the knowledge gap between foreign markets had reduced due to better communications, which made the problem of psychic distance less of a barrier. This, together with the reduced costs of international communication and travel, greater experience of international markets and increased expertise had all made the process of internationalization easier for entrepreneurs with the right knowledge and background. A further definition helped to highlight the importance of opportunity recognition in international entrepreneurship. International entrepreneurship involved “The discovery, enactment, evaluation and exploitation of opportunities, across national borders, to create future goods and services” (Oviatt and McDougall, 2005a: p.26). These entrepreneurial qualities are influenced by a number of factors including education and previous work-based experience. The knowledge that is used within the INV framework is not the slow on-going accumulation of experiential knowledge described in the PTI model but instead is the entrepreneur’s knowledge which is endowed or bestowed on the enterprise by the entrepreneur (Autio, 2005). The role of past work-based experience that the entrepreneur accrued and endowed on the INV was highlighted by amongst others Madsen and Servais (1997), McDougall et al. (1994) and Naude and Rossouw (2010). Alon and Lerner (2008), using exports for their measure of internationalization, confirmed that the decision to export was

positively influenced by the education level of the entrepreneur and the size of the enterprise (often regarded as a measure of the enterprise's resources).

The INV theory, which is based on transaction cost theory, entrepreneurship theory, the resource based view, network, and governance theories, proposes that entrepreneurs with the vision, awareness of opportunities, international competencies, knowledge of international markets and organising skills can internationalize shortly after the organization's formation. More recently early internationalization has been considered by many researchers to be internationalization that takes place within three years of the enterprise's establishment, or when the enterprise establishes a foreign presence, within that period (Zhou, 2007). However, some researchers have used up to six years as their definition for INVs in some instances (Wickramasekera and Bamberly, 2003; Shrader, 2001).

Such organizations seek value creation by utilising cross border resources using specialised knowledge, and as such, bypass the slow and gradual internationalization proposed by the PTI model. It is not based on the gradual accumulation of experiential knowledge, does not require the large resources that a large organization would require, and bypasses the aversion to risk that organizations frequently exhibit when their main concerns are long term profitability and survival (Autio, 2005). This theory exhibits an enabling concept rather than the constraining concept built within the PTI theory. Entrepreneurs who are able and prepared to balance strategic choices against risk can internationalize from the outset using their entrepreneurial expertise. By leveraging the resources that they need, they do not necessarily need the financial outlay to own all the resources required. Competitive advantage once achieved can be maintained either through patents or brand protection or continuous development of new opportunities obtained through its international positioning. The terms 'international new ventures' and 'born global' have arguably been used interchangeably to describe firms that internationalized rapidly, typically, although not exclusively, within three years of the business set up (Crick, 2009; Zhou, 2007). They have often largely been found in technology orientated industries, although they have been found in other industries (Knight and Cavusgil, 2004; Moen and Servais, 2002). INV's frequently deal in high technology products and services and in areas of high innovation. These products and services frequently involve substantial added value and are based on new processes or new technologies (Knight and Cavusgil, 1996). These products and services often have the potential for high returns in the short term as they frequently have short life cycles. These potentially valuable windows of opportunity are particularly suited to entrepreneurs who can take maximum advantage in exploiting them in multiple markets. These

entrepreneurial led, opportunity driven enterprises, therefore, may not follow a typical gradual internationalization path (Bell, McNaughton and Young, 2001).

The time taken to internationalization in order to be classified as an INV or 'born global' can, however, be misleading in some cases. In some instances, the shorter time taken to develop internationally can be explained by the pre-history of the organization and whether the organization is established during the network and product building phase (Kaarna, 2010).

### **3.4.10 A Comparison of the Process Theory of Internationalization and the International New Venture Theory**

All theories of the firm are abstractions of the real world business enterprise and are designed to address a particular set of its characteristics and behaviours (Machlup, 1967). As a result there are many alternative theories of the firm which both compete in offering rival explanations of the same phenomena and at the same time complement one another in explaining different phenomena (Grant, 1996). Internationalization is a complex phenomenon and as a result many different perspectives are needed to understand it (Björkman, 1990; Morgan, 1986).

The Uppsala PTI and the INV theories are behavioural models or perspectives that describe the process of internationalization. The Uppsala PTI theory can be considered to be influenced by Network Theory (at an organizational level), Institutional Theory and the Resource Based View. Similarly, as discussed previously, the INV theory can be considered to be influenced by a range of underlying perspectives that include Network Theory (at an individual level), Transaction Cost Theory, Governance Theory, the Resource Based View and Entrepreneurship Theory.

By using the Uppsala PTI and the INV behavioural theories it is possible to investigate the perceptions of the decision makers viewed against a range of background influences. This will provide a more valuable perspective than an approach that is limited to a purely network approach or an institutional approach. The behavioural approach seeks to focus on the overall perceptions of the decision makers, which may influence the behaviour and the decision-making process. This approach which is adopted within this research will overcome the difficulties in measuring personal and organizational networks and the difficulty in subjectively measuring the influence of various institutional factors.

The PTI and INV behavioural theories of internationalization offer two alternative descriptions to the path that enterprises take to internationalization. According to Autio (2005), despite areas of 'tension', the two frameworks appear complimentary rather than contradictory. The INV model focuses predominantly on explaining how early and rapid internationalization of new ventures can take place, whilst the PTI model focuses on the process of internationalization itself once it has

started. In the PTI model the enterprise's resources are concentrated at home and the enterprise then generates its value added outputs for export, eventually manufacturing in foreign locations later in its development. This represents a leveraging of home based resources and competitive advantages to create wealth at home. The international activity in the early stages of the enterprise's development is mainly with the export of its produce or services abroad. This compares to the INV model where the value creation is based abroad using combinations of valuable resources often across national borders to create competitive advantage and added value. These enterprises need to internationalize in order to create value and benefit from their competitive advantages. The competitive advantages may be short lived particularly in highly innovative or high technology industries but the added value potential is potentially far greater.

A comparison between the PTI and INV theoretical dimensions and logic are outlined in the table below (figure 14), compiled from the work of Autio (2005).

**Figure 14: Comparison of the PTI and INV Theoretical Dimensions and Logic**

<b>Theoretical dimension</b>	<b>PTI</b>	<b>INV</b>
Underlying theories	Behavioural theory, theory of the growth of the firm	Entrepreneurship, resource-based view of the firm, governance theories
Generation of normative implications	Moderate	Moderate
Scope	Internationalisation process	Initiation of internationalisation, early internationalisation process
Internationalisation strategic posture	Reactive, reacting to unsolicited export orders	Proactive, opportunity-seeking
Nature of opportunity	Market demand	Supply push
Firm objective	Survival, long-term profitability	Value creation, growth
Resource access and control	Internalization, internal development	Selective ownership, mobilised through networks
Access to foreign market information	Constrained information channels, market information accumulates through market commitment	Market information easily accessible through various channels
Exchangeability/inter-changeability of foreign market assets	Foreign market investments tend to be asset specific, not easily reallocated	Resource fungibility assumed for resources committed to foreign market activities
Speed of foreign market commitments	Commitment decisions are slow because of the need to integrate experiential market knowledge with firm knowledge	Mobile knowledge resources can be rapidly combined with fixed assets in target markets
Value creation logic	(Implicit) Value-creating assets are concentrated in the domestic country	Value creation based on cross-border resource combinations
Nature of path dependency	Each market entry creates a market-specific path	Early internationalisation instils a path dependency for international

	dependency for growth	growth
Degree of environmental dynamism	Stable, moderate dynamism	(Predominantly) Dynamic high-technology sectors
Relationship between individual and firm knowledge	Firm experience supersedes individual experience	Individual experience and entrepreneurial vision drive international commitment decisions
Locus of decision-making	Firm's decision-making system	Entrepreneur(s)
Resource endowment at the time of internationalisation	Firm is a going concern whose resources and reservoir of experiential knowledge have been shaped by domestic experience (domestic imprinting)	Firm's experiential knowledge is co-created with foreign market experience (international imprinting)
Criteria for choosing foreign markets for entry	Manageability: minimise difference between existing scope of activity and the new market entry	Opportunity: maximise the size of market potential by selecting the market that offers the greatest growth potential
Nature of opportunity window	Long, durable	Short, transient
Nature of competition	Against local players in the foreign market	Against global players
Integration of country markets	Country markets distinct, separated by high barriers to entry	Significant international integration between country markets
Importance of management's pre-firm experience	Does not matter because firm collective experience supersedes individual experience	Crucial factor for early and rapid internationalisation
Size of internationalisation steps	Small	Mostly large
Effect of rapid market change	Slows down internationalisation because of rapid obsolescence of firm knowledge	Speeds up internationalisation because of the need to move fast to seize opportunity
Selection of entry modes	Sequential progression from low-control modes to high-control modes	No predetermined sequence, but firms tend to prefer alternative governance mechanisms, such as alliances
Importance of resource size	Large resources are important to accommodate resource-consuming internationalisation moves	The quality of resources, sustainable resource distinctiveness in particular, is more important than the size of initial resource allocation
International dispersion of value-creating resources	Value-creating resources concentrated in the domestic base	Value-creating resources dispersed across national borders
Implication for growth	(Implicit) Growth causes the firm to internationalise	Internationalisation is necessary for growth
Implication for survival	(Implicit) Late internationalizers are more likely to survive internationalisation moves than early internationalizers	In internationally integrated markets, internationalization may constitute a necessary condition for survival

Autio (2005)

The table above highlights the main differences between the PTI and INV approaches and in particular, the focus on the role of the organization in the former, and the role of the entrepreneur in the latter. It also highlights the differences between strategic posture (proactivity), speed of commitment, source of knowledge and locus of decision making.

### **3.4.11 The Limitations of the Uppsala Process Theory of Internationalization and the International New Venture Models in Research and the Gap for Research**

Although the Uppsala PTI and the INV models of internationalization are theoretical constructs, designed to describe two alternative pathways to internationalization, both models have been widely used in research to investigate enterprises at the individual enterprise level (Jansson, Soderman and Zhou, 2008; Sandberg, 2008; Zou and Ghauri, 2010), with varying degrees of success. Despite the widespread use of the Uppsala PTI and the INV models of internationalization within research into the internationalization of enterprises, researchers' have frequently found that neither of the two theoretical models alone is able to comprehensively explain the pathway to internationalization (Liu et al., 2007). Research has often been based on the qualitative analysis of a series of historical case studies in order to seek confirmation of the relative validity of the individual models (Jansson, Soderman and Zhou, 2008; Sandberg, 2008). Other research has found evidence for both models (Liu et al., 2007), and still other research has found that although the Uppsala PTI model was still valid, internationalization took place faster than expected (Zou and Ghauri, 2010). This suggests that more than one model, or perspective, may be required, a view supported by Blomstermo and Sharma (2003), and that different models may be more applicable at different stages of the internationalization process, for many enterprises. This is supported by the fact that over the last 20 years, the definition of what represents an INV has been relaxed, and can now be considered to be an enterprise that is international in a time period of anywhere between three and six years (Wickramasekera and Bamberly, 2003; Shrader, 2001). In other words, the timescale between the two models has become less clear cut and the distinction between the Uppsala PTI model and the INV model have become relatively blurred. This suggests that an approach that is based on the expectations of both these two models is more appropriate in understanding the enterprise's pathway to internationalization. Such an approach will approximate more closely to the life situation in many cases, when decision makers use a mixture of skills and resources at different stages of the enterprise's development. Part of this research is to test combined models based on experiential knowledge, a key theme within the Uppsala PTI model, and entrepreneurial input, a key theme within the INV model of internationalization.

Up to this point this literature review has considered the internationalization sequence, some of the most influential theories of internationalization and the internationalization from emerging markets. The literature review then considered the PTI and INV behavioural models of internationalization along with important themes surrounding the content of the PTI and INV models including experiential knowledge, organizational learning, entrepreneurial input, entrepreneurial qualities and the speed and determinants of internationalization. The literature review will now continue by focusing on the early export stages of internationalization, export models and the role of SMEs in international export.

## **3.5 The Early Stages of Internationalization – Export**

### **3.5.1 International Export and SMEs**

Exports are essential for the health and dynamism of modern economies (Dosoglu-Guner, 1999). An increase in exports (including an increase in the international activities of SMEs) can boost economic growth, reduce unemployment and create potential mini MNE's in the future (Ruzzier et al., 2006). Traditionally, SMEs, despite being significant contributors of wealth and employment in domestic economies, have played only a minor role overseas (Doole and Lowe, 2001). Many SMEs were not prepared to take the risks that they perceived such a course would involve and, as a result, preferred to forgo any potential advantage. The importance of actively promoting the development and the national and international expansion of small and medium sized organizations has been highlighted by Cardoza (1997), who pointed out that they play a key role in entrepreneurship, job creation, fiscal income, technology diffusion, risk diversification, identification and adoption of best international practices and wealth generation. These factors are important in driving local and national economies.

Previously much of the research theory development on organizations and internationalization has been developed through the study of large organizations. SMEs are now in a much stronger position to develop both at home and internationally due to improvements in technology and communication, advances in transportation, and increasing globalization. The result is that increasing numbers of SMEs are now pursuing opportunities abroad (Knight, 2000). Consequently much of the internationalization theory developed previously for larger enterprises is increasing in relevance to SMEs. Importantly, exporting as a means of foreign market entry and sales expansion is more accessible to SMEs. Exporting is the most common type of involvement in the international

market because it involves minimum business risks, the least commitment of resources and offers high business flexibility (Lu and Beamish, 2006, Leonidou, 1995b). However, exporting requires the overcoming of barriers and some degree of risk and uncertainty.

One of the main distinctions of smaller SMEs is the central role played by the owner manager in the strategic decision making process (Stokes and Wilson, 2010). Larger enterprises employ a large pool of specialist professionals to address tasks in specific areas whilst SMEs are dependent on the capabilities of the owner manager as the decision maker. Limitations in overseas knowledge, networks, and aversion to risk, can all have a significant impact on the ability to develop overseas (Rutihinda, 2008), and the decisions that are made.

Barriers to exporting can be defined as all the attitudinal, structural, operational and other constraints that hinder the firm's ability to initiate, develop or sustain international operations (Leonidou, 1995a). Barriers to exporting can often be the cause of many enterprises' failures in foreign business ventures, which can result in financial losses, negative attitudes towards international involvement (Leonidou, 1995a) and a permanent withdrawal from a potentially important development route (Welsh and Weidersheim-Paul, 1980). It follows that removal or the minimization of these barriers or obstacles can contribute to greater export intensity and performance (Bilkey, 1978). This has led to considerable research into both the internal and external barriers that organizations face when exporting, including that by Leonidou (2004) and Tesfom and Lutz (2006). In addition, much work has been focused on the perceptions of non-exporting enterprises in order to understand the factors that may deter them from the earliest stages of export which are the first stages to internationalization (Czinkota, 1982; Keng and Juan, 1989; Leonidou, 1995b).

Barriers can originate internally and are often associated with organizational resources or their approach to export marketing, or from the external environment (Christensen, Darocha and Gertner, 1987; Edmunds and Khoury, 1986; Ghauri and Kumar, 1989; Sullivan and Bauerschmidt, 1989; Yang, Leone and Alden, 1992). The source of export barriers can emanate in both the home environment and the foreign market environment. The manufacturing enterprise is subject to a variety of export barriers that can be identified at all of the stages of the exporting internationalization process, from the initial stages to the more advanced stages (Bilkey, 1978; Bilkey and Tesar, 1977; Cavusgil and Nevin, 1980; Johanson and Widersheim-Paul, 1975; Thomas and Araujo, 1985) and the nature and

the perception towards barriers changes as the organization develops (Bilkey and Tesar, 1977; Bilkey 1978). A more detailed consideration of the barriers to export can be found in the next section.

Importantly, when making decisions, it is not necessarily a specific barrier that prohibits or inhibits the path to internationalization but instead it is the perception of the barrier. Other factors make specific barriers operative and these factors are usually associated with the characteristics of the manager, the organization and the organization's environment, within which it operates (Cavusgil and Nevin, 1981). This makes a behavioural theory approach particularly suitable in understanding the perceptions towards barriers since behavioural theories have their roots in business administration, and they focus on the managerial decisions of the individual manager/entrepreneur or the individual organization (Rutashobya and Jaensson, 2004). These aspects will be considered in more detail in the barriers and drivers to SME export section.

### **3.5.2 The Indirect and Direct Export Routes**

Although export is only one of a number of ways that enterprises can become involved in foreign markets, it is one of the most established forms of international involvement (Hansen, Gilespe and Gencturk, 1994; Keegan, 1999) and provides a viable strategy for growth opportunities (Mayes and Soteri, 1994). SMEs can play an important part to the vitality of the economy by being willing to take risks, show innovation and being quick to adapt to change (Yannopoulos, 2010). Furthermore, successful navigation through these stages can lead to later stages of internationalization with greater international involvement and greater opportunities. As a result, the export development perspective of internationalization has received much attention in an effort to question what factors determine the advancement of the enterprise towards internationalization development; what phases can be identified through the exporting process; and what represents a typical export behavioural process pattern.

The first two stages in the Internationalization Sequence Model (Johansson, 2006) are both focused on export. The first is indirect export and the second stage is direct export to overseas customers. The indirect export route can be considered to be the use of an intermediary for exporting, sourcing or distribution agreements and who manage on an organization's behalf, the transaction sale or service with overseas enterprises or customers (Fletcher, 2004). Export intermediaries play an important role as 'middlemen' or facilitators in international trade by linking individuals and organizations that would not have been connected otherwise (Peng and York, 2001). Export intermediaries can help with identifying customers, financing, and distribution infrastructure

(Balabanis, 2000). They can also help organizations overcome their knowledge gaps and can reduce the uncertainties and risks that are associated with operating in foreign markets. Intermediaries may also possess country specific knowledge that the organization lacks and which is vital to a successful operation (Li, 2004). Market research, seeking new customers and negotiating orders can all be expensive and an intermediary can manage these processes. In some cases, where the organization does not have the authority or rights to export, the intermediary can be a way of gaining access to foreign markets. However, this route offers reduced margins per sale and can prevent the accumulation of experiential and spill over knowledge that direct contact with foreign customers would provide. The use of intermediaries adds cost to the exporting process, particularly in transaction costs and rent extraction (Acs and Terjesen, 2006). Moreover, although the indirect export stage can be a steppingstone towards direct export, many enterprises can become locked into the indirect export route and do not progress to the direct route, and consequently, the internationalization process is inhibited (Naude and Rossouw, 2010; Sandberg, 2008). It has been suggested in a descriptive case study paper that indirect exporting in China can be a double edged sword, and that it may reduce or limit the accumulation of international experience and knowledge that organizations need to develop further (Sandberg, 2008). In this way, indirect exporting can be regarded as inhibiting full internationalization. More recently, Naude and Rossouw (2010) concluded that business networks are significant determinants of the extent of indirect exporting in China and that indirect exporting delayed the internationalization process of indigenous enterprises.

Direct export can potentially offer a relatively low risk accessible pathway to export markets (compared to foreign direct investment) and can potentially offer greater rewards than indirect export. However, it can have higher associated costs (both financial and managerial) and risks than the indirect route. It also involves overcoming the barriers to direct export which are circumvented by the use of an intermediary in the indirect export route. A gradual build-up of experiential knowledge accumulated through a period of indirect export can help alleviate some of these problems and make the transition easier and less risky.

SMEs can create strategic links with larger foreign firms which will limit their liabilities of newness, foreignness and small size, and will enable them to gain access to markets, technology and reputation (Kuemmerle, 2002). However, this arrangement has several disadvantages to the SME which include extraordinary rent appropriation and only limited access to foreign market knowledge accumulation and the flow of ideas (Hessels and Terjesen, 2007).

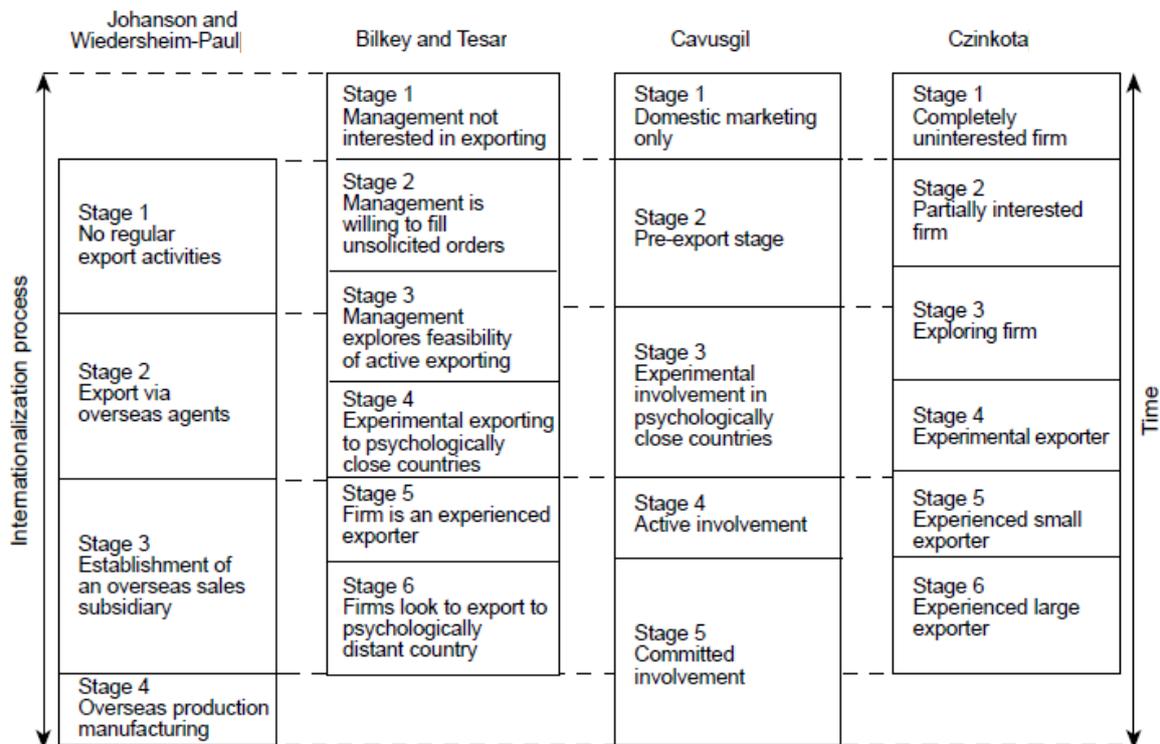
In order to gain a deeper understanding of the export process, the next section will consider a selection of export models and the conclusions that can be drawn from them.

### **3.5.3 Export Development Models**

Various export development models have been developed in order to study and understand the export stages of the internationalization sequential process. These have included models produced by Bilkey and Tesar (1977) Cavusgil (1980) and Czinkota (1982). The number of fixed sequential stages adopted has varied from between three to six stages, but three generic stages are common to all these models, namely; the pre export stage, the initial export stage and the advanced export stage (Leonidou and Katsikeas, 1996). These models are relatively similar, usually differing only in the number of stages adopted and the definitions and terminology adopted (Andersen, 1993). Bilkey and Tesar (1977) proposed that the process of export development could be depicted by six distinct stages and that various different factors could affect the decision making process at each stage. The model proposed by Cavusgil (1980, 1984) was based on five stages of international export development. In this model, organizations are focused purely on the domestic market in the first stage. The second or pre-export stage involves a greater awareness of the opportunities of exporting, but there is still no drive towards international activity. Competition at home may be increasing but the organization is focused on the domestic market. The third or experimental stage is the indirect exporting stage where products are sold abroad through an intermediary. Gradually the organization gains some knowledge and contacts abroad and may begin to deal directly with the foreign supply chain on an experimental basis but it is only an insignificant part of the operation. The fourth stage is where the organization begins to develop a greater relationship and involvement with the foreign market. The export part of the organization is now a significant part of the operation. Knowledge is more rapidly developed, enabling the organization to eventually reach the fifth stage where the organization is fully integrated with the foreign market and substantially dependent on its international operation. For a variety of reasons not all organizations will follow the full five-stage process and may stop at any given stage or even move in a reverse direction. Factors that influence these decisions may include strategic decisions, perceived risk, a lack of knowledge to progress, lack of finance or limiting institutional factors. This five-stage model was found to be applicable to small and medium sized exporting organizations (Gankema, Snuif and Zwart, 2000).

The diagrams below illustrate and compare a sample of four different export models.

**Figure 15: Comparison of Four Export Development/Internationalization ‘Stage’ Models.**



Bell (1995)

Within these models, exporting can be considered to be a type of innovation or innovation diffusion (Rogers, 1962), and internationalization is assumed to follow a stepwise progression. These models (Innovation related or I-models) appear to be closely related to the expectations of the Uppsala PTI model (Rutashobya and Jaensson, 2004). Their focus, however, is exclusively on the export development process, particularly of SMEs (Ruzzier et al., 2006). The individual stages of the innovation diffusion models are used to explain how enterprises move from non-exporting to committed exporters. Inexperience of foreign markets and the barriers associated with psychic distance are minimized through a stepwise and gradual commitment to more foreign involvement and the accumulation of experiential knowledge. According to Andersen (1993), the authors of these models have explicitly or implicitly built on the contribution of Johanson and Vahlne (1977). Both the Uppsala PTI model and the Innovation related models have been used to analyse both small and large organizations with the focus on explaining the development of internationalization and international activities. Both models are underpinned by the incremental nature of the internationalization process in both the activities and the resources of the organization (Ruzzier et al., 2006). This highlights the importance of the accumulation of experiential knowledge at both the

early export stages of the internationalization process as well as the later, more committed, stages of the process.

According to Morgan and Katsikeas (1997b), all of the above export models possess a common theme in that they attempt to introduce a classification of export behaviours which generate distinct profiles of enterprises that reflect different degrees of development along a reference line of internationalization of export development. The main criticism aimed at all these approaches, during research, is the difficulty in defining and differentiating the individual stages (Andersen, 1993). This leads to difficulty in any type of statistical research.

Jansson, Soderman and Zhou (2008) have adapted the Cavusgil (1980; 1985) export stages model in order to consider the internationalization take-off process for SMEs from China. Describing the gradual traditional internationalization process through which domestic organizations gradually transform themselves into international firms as horizontal take-offs (as opposed to INV's, 'born globals' and technology upstarts which are termed as vertical take-offs), they adapted the Cavusgil model (1980; 1985) to the Chinese context in order to explain the stages of internationalization development to the direct export stage.

Export plays a significant part in the Chinese economy and future export development is likely to come from the large SME sector. Chinese state policy has been focused on developing SMEs and encouraging them to expand internationally. This early internationalization is most often achieved through export, which makes this area of research both relevant and important for future SME growth and development strategy.

The consideration of export models is particularly useful at this stage because historically many Chinese SMES have not been able to develop the domestic competitiveness required to enter international markets or been able to develop beyond the initial export stages at an international level (Jansson, Soderman and Zhou, 2008). Indeed, most Chinese SMEs are still in the initial stages of the internationalization process and indirect exporting (where the producer uses a middle man) is common (Jansson, Soderman and Zhou, 2008). A lack of financial resource is also a problem for many SMEs and despite the need for greater internationalization, a lack of resources results in a low level of internationalization for most Chinese enterprises (Yang, Jiang, Kang and Ke, 2009).

Attention will now turn to a consideration of barriers and drivers to SME international export. This will include a more detailed consideration of the barriers to export, the perceptions towards barriers and the part that barriers play within the PTI and INV behavioural models of internationalization. The chapter will conclude with a consideration of the drivers to international export.

## **3.6 Barriers and Drivers to SME International Export**

### **3.6.1 Barriers to Export and their Impact on the Decision to Export**

Barriers to exporting can be defined as “All those attitudinal, structural, operational and other constraints that hinder the firm’s ability to initiate, develop, or sustain international operations” (Leonidou, 1995a, p.31). They often prevent or deter an enterprise from export engagement or development and can be responsible for the failure of an enterprise’s overseas operations, resulting in financial loss and negative attitudes towards future international ventures or expansion (Leonidou, 1995a). Export barriers are present at every stage of the internationalization process, from the early to the more advanced stages (Cavusgil and Nevin, 1980). Bilkey and Tesar (1977) highlighted the dynamic changing nature of barriers to exporting as enterprises develop and become further advanced in the exporting process. The precise nature and difficulty in overcoming individual barriers differ from one stage to the next (Bilkey and Tesar, 1977; Bilkey 1978). The evolution in the importance of barriers was also emphasised by Tesar and Tarleton (1982).

The way in which any particular organization perceives or reacts to individual obstacles will be specific to the individual organization and will depend on a variety of factors including managerial, organizational and external forces (Leonidou, 1995a). The specific barriers that organizations face also differ as a result of the size of the organization, export involvement, international experience and the ability of the organization to obtain relevant information. Larger firms generally find barriers to export less significant than smaller firms (Ghauri and Kumar, 1989).

A specific barrier need not necessarily either prohibit or inhibit an enterprise’s path to internationalization. Instead, other factors make specific barriers operative and these are usually associated with the (idiosyncratic) characteristics of the manager or decision maker, the organization and the organization’s environment within which it operates (Barrett and Wilkinson, 1985; Cavusgil and Nevin, 1981). These factors can include specific types of knowledge, entrepreneurial abilities and characteristics such as the attitude to risk, and a domestic orientated behaviour (Bilkey and Tesar, 1977). Organizations whose decision makers are less competent, risk averse and inward

looking are perhaps more likely to perceive export barriers in a more problematic and severe manner than organizations with competent, risk taking and outward looking managers (Bilkey and Tesar, 1977; Dichtl, Koglmayr and Muller, 1990). The attitude towards costs, profits and growth aspects of exporting can also colour the perception of export barriers (Leonidou, Katsikeas and Piercy, 1998), as can organizational factors such as the size and the amount of previous international experience of the organisation. Smaller organizations are often more vulnerable as a result of limited resources, operational difficulties and trade restrictions (Barker and Kaynak, 1992; Katsikeas and Morgan, 1994).

The behavioural internationalization theory approach is particularly suitable for studying the perception of barriers to internationalization as behavioural theories have their roots in business administration and focus on the decisions of the owner/individual decision maker or the enterprise (Rutashobya and Jaensson, 2004). The INV theory approach focuses on the individual entrepreneur and the qualities, attributes and decision making that they bring to bear on the enterprise. The PTI theory is largely based on organizational behavioural theory and as such focuses on the perceptions and decision making process at an organizational level. In the former case, the perceptions of barriers to internationalization will be influenced by the individual characteristics and experience of the individual decision maker/entrepreneur. In the latter case, the perceptions of barriers will be influenced by the characteristics and the experiential knowledge of the organization. INV theory suggests that it is the entrepreneurial input that is important in the internationalization process, whilst PTI theory suggests that it is the experiential knowledge gained from previous experience and incorporated into the organization's knowledge base that helps to overcome the barriers to export.

For organizations that have no experience or history of exporting, the perception of barriers will be based on subjective opinions and will be entirely perceptual in nature. For organizations that have experience of exporting (either previous or current exporters), perceptions of barriers will be based on both experiential and perceptual dimensions (Leonidou, 1995b). The overall perception of barriers will be different among exporters, non-exporters and former exporters, not only in the specific barriers, but also in relation to the type and severity of those barriers (Dichtl et al., 1990). However, since an understanding of the perception of non-exporters (and former exporters) is important in order to encourage the internationalization development of SMEs, extensive research has been undertaken in this field. A number of studies have concluded that there is a significant difference between the export barrier perceptions between non-exporters and exporters, these have included Cheong and Chong (1988), Czinkota (1982), Kedia and Chhokar (1986), Keng and Juan

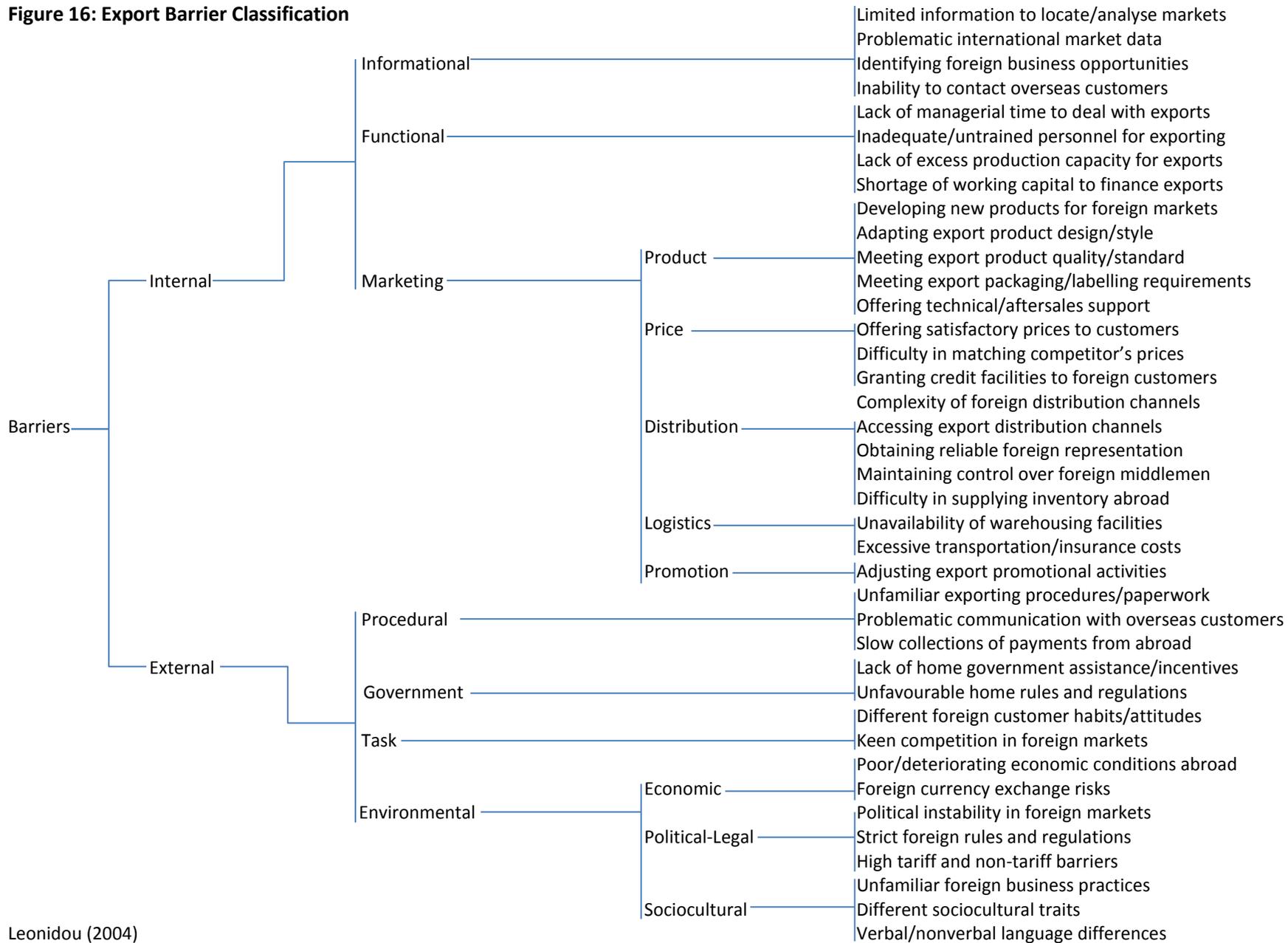
(1989) and Yaprak (1985). Sharkey, Lim and Kim (1989) considered the difference in perceptions between non-exporters, marginal exporters and active exporters. They categorised export obstacles into five groups, which were government policy, procedural/technical complexity, contextual differences, perceived strategic limitations and local competition. Marginal exporters were found to be not significantly different from non-exporters. When comparing marginal exporters with active exporters it was found that differences only existed in two of the five categories, which were procedural/technical complexity and strategic limitations. The difficulty of managing the vagaries and mechanics of the export process by organizations with little exporting experience was highlighted by Madsen (1989).

Barker and Kaynak (1992) concluded that the most important perceived barriers for non-exporters included a lack of foreign contacts, initial investment, trade barriers, lack of exporting knowledge and a shortage of trained personnel. In the case of exporters, the main perceived barriers were excessive bureaucracy, trade barriers, logistical difficulties, a lack of export incentives and a lack of trained personnel for the export operations. Yang et al. (1992) considered twenty perceived export barriers to non-exporting manufacturing SMEs. From factor analysis they highlighted five underlying areas which hindered export development. These areas were export/market related information, lack of internal resources, comparative market distance, private assistance and exogenous environmental barriers. Leonidou (1995b) investigated the perceptions of non-exporting firms on a number of factors impeding the initiation of export activities. He concluded that increasing competition in world markets and the inability to offer competitive prices abroad were the two most serious perceived barriers for export activities. A lack of foreign market information was also a major impediment which resulted in increased uncertainty. There was a tendency for enterprises with no prior export experience, of small size and with relatively few years in business to over emphasise some of the barriers researched. He classified the export barriers internally/externally and domestic/foreign markets but found no statistical difference between these four groups, suggesting that each had more or less the same inhibiting impact on pre-export perceptions.

In 2004 Leonidou considered the impact of a range of thirty nine export barriers (extracted from a systematic review of thirty two empirical studies) faced by SMEs in advanced economies. He classified the barriers to export into two categories, namely, internal and external. Internal export barriers are intrinsic to the organization and are usually associated with a lack of organizational resources for undertaking export marketing. Internal barriers were classified further under the headings informational, functional and marketing. External barriers are barriers that are rooted in

the external environment within which the firm operates. External barriers were classified further under the four headings of procedural, governmental, task and environmental. A full classification of the export barriers considered by Leonidou is shown on the next page (figure 14).

**Figure 16: Export Barrier Classification**



Leonidou (2004)

He was able to classify the perceived barriers into different classifications of impact from very high impact to very low impact. The barriers, along with their degree of impact on SMEs export development, are shown in the table below (figure 17).

**Figure 17: SME Export Barriers and Their Degree of Impact**

<b>Very High Importance</b>
Limited information to locate/analyse markets
Inability to contact overseas customers
Identifying foreign business opportunities
Difficulty in matching competitors' prices
Excessive transportation/insurance costs
Different foreign customer habits/attitudes
Poor/deteriorating economic conditions abroad
Political instability in foreign markets
<b>High Impact</b>
Offering satisfactory prices to customers
Accessing export distribution channels
Obtaining reliable foreign representation
Granting credit facilities to foreign customers
Unfamiliar export procedures/documentation
Unfavourable home rules and regulations
Foreign currency exchange risks
Strict foreign rules and regulations
<b>Moderate Impact</b>
Problematic international market data
Lack of managerial time to deal with exports
Inadequate/untrained personnel for exporting
Shortage of working capital to finance exports
Providing technical/aftersales service
Complexity of foreign distribution channels
Adjusting export promotional activities
Problematic communication with overseas customers
Slow collection of payments from abroad
Lack of home government assistance/incentives
Keen competition in overseas markets
High tariff and nontariff barriers
Unfamiliar foreign business practices
Different sociocultural traits
<b>Low Impact</b>
Meeting export product quality standards/specification
Lack of excess production capacity for exports
Verbal/nonverbal language differences
<b>Very Low Impact</b>
Developing new products for foreign markets

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Adapting export product design/styles  
Meeting export packaging/labelling requirements  
Maintaining control over foreign middlemen  
Difficulty in supplying inventory abroad  
Unavailability of warehousing facilities abroad

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Leonidou (2004)

Kaynak and Kothari (1983) were one of the first to conduct a study which considered the significance of export barriers as perceived in different countries. They found significant differences in the perception of barriers between non exporters in the US and Canada and also concluded that there was a significant difference between the perceptions of non-exporters and exporters in both countries investigated.

Tesfom and Lutz (2006) reviewed forty articles published over a twenty five year period (1980-2004) that considered barriers to export for manufacturing SMEs in developing countries. They classified the barriers into company barriers, product barriers, industry barriers, export market barriers and macro environment barriers. They concluded that there was a high similarity between the export problems faced by manufacturing organizations in both developed and developing economies. Almost all the export problems identified in developing countries (apart from the 'country of origin barrier') also existed in the developed economies, particularly for SMEs. Although the degree of difficulty and the relative importance of the export problems varied there was a similarity among the major issues. They concluded that it "was not the type of barrier that differs but only the environment in which the SME is operating" (Tesfom and Lutz, 2006 p.277).

Whilst MNE's have a wide range of experience and are able to take advantage of international opportunities (Meyer and Gelbuda, 2006), SMEs have often been considered to be handicapped by their size and lack of experience. Barriers often cited include a lack of knowledge and experience (Eriksson et al., 2000) and managerial, informational, and financial constraints (Zyglidopoulos, Demartino and Reid, 2006). These can constitute significant hurdles for SMEs. Furthermore, once SMEs have internationalized they may then face the further initial problems of Hymer's (1976), 'Liability of Foreignness' and Stinchcombe's (1965) 'Liability of Newness'. These will involve higher costs than local competitors, which may lead to foreign competitors being less competitive than local competitors. These conclusions suggest that internationalization theories and approaches based on knowledge and informational augmentation, institutional settings and entrepreneurial input will be of particular value in understanding internationalization in the rapidly developing and highly institutionalized Chinese context.

### 3.6.2 Drivers to International Export

Factors affecting the decision to internationalize can be divided into internal and external factors.

The external environment is important as no enterprise can operate independently from its market context. This means that relationships with stakeholders are important and close ties can motivate internationalization by reducing perceived risk. This is highlighted in various organizational behavioural theories including network theory and Uppsala PTI theory. For example, close customer linkages and relationships can identify whether adaptation to products may be needed prior to internationalization (Calantone, Cavusgil, Schmidt and Shin, 2004). This may be particularly critical in more sophisticated markets. The industry environment, timing and entry conditions are also important in order to successfully internationalize and develop a profitable business. Both the physical and cultural distance of new markets also affect the perception of risk and play an important part in the decision making process (Johanson and Vahlne, 1977).

Internal factors that influence the decision can include a lack of financial resources and the lack of knowledge and experience. Weakness in these areas represents a liability when considering internationalization and increases risk. This is a resource based view where enterprises require internal resources to enable them to develop competitive advantages that they can exploit. The enterprise must decide whether the accumulated tangible and intangible resources and the extent to which they are valuable, rare, inimitable and non-substitutable (VRIN) in the new market will set it at an advantage or disadvantage when considering internationalization (Barney, 1991; Leiblein and Reuer, 2004). Consequently, SMEs face both the liabilities of newness and liabilities of foreignness when considering internationalization (Hymer, 1976; Stinchcombe, 1965; Zaheer, 1995). The liability of newness (Stinchcombe, 1965) includes the access to external resources which may be essential for survival. New organizations are perceived to be at a greater risk of failure, have lower levels of legitimacy and are less able to compete in the marketplace. They are more dependent upon the support and cooperation of strangers. These factors are even more critical when operations engage in innovative and risky projects or pursue market opportunities proactively. The liability of foreignness (Hymer, 1976) disadvantages internationalising organizations compared to domestic organizations. It is aggravated by a lack of knowledge and experience, particularly when the cultural distance is significant. It can also result from a lack of fit between the foreign market and the organisation's product or services. The liability of foreignness is often defined as the higher cost of operations due to foreignness. These higher costs can arise through three different discriminatory sources that hinder foreign firms in a foreign market (Zaheer, 1995; Zaheer and Mosakowski, 1997).

The first source includes a greater complexity of operations, the customisation of products for the local market and local regulations that may discriminate against foreign firms. The second source includes a lack of institutional and network knowledge and local connections. The third source includes the lack of information and the accurate interpretation of information. The importance of contacts, networks and collaborative ventures in overcoming some of these obstacles during the internationalization process have been highlighted by numerous researchers including Coviello and Munro (1995), Etemad (2003), Johanson and Vahlne (2009) and Oviatt and Mcdougall (1995). The overall decision to internationalize will be dependent on the balance of risk of potential gain and the decision maker's attitude towards risk.

According to Katsikeas (1996), research into the motivation behind international export could be divided into two mainstreams. The first stream is based on external and internal export stimuli (Brooks and Rosson, 1982; Miesenbock, 1988). External motivating factors included unsolicited orders, potential for profit, increased target market, physical proximity and the availability of networks and distribution channels. Internal motivating factors included the advantages of diversification, the utilization of excess capacity and the potential for an increase in business growth rate. Based on this classification, O'Rourke (1985) concluded that large firms were more likely to be motivated by internal stimuli whilst smaller firms were more likely to be motivated by external stimuli.

The second stream of research is based on the behavioural patterns of organizations when faced with export markets and operations. This approach highlights the distinction between proactive and reactive stimuli (Johnson and Czinkota, 1982; Leonidou, 1988). Proactive or pull factors are those stimuli that encourage the organization's deliberations towards exporting. These include large and underdeveloped overseas markets, identification of new opportunities and larger potential profit margins. Reactive or push factors could reflect a passive attitude towards export and new markets and these can include strong domestic competition, commoditised markets and low profit margins. The importance of these motivating factors can change over the different stages of the export development of the organization. As exports increase and the exporter becomes more dependent on exports, the organization's commitment and attitude to this part of the business will increase (Rao and Naidou, 1992). This suggests that regular exporters will be more proactive than those who have less commitment or involvement. Yannopoulos (2010) concluded that in a study of small and medium sized entrepreneurial firms in Canada, the most important export motivators were large foreign markets with high growth potential and the opportunities of diversification. He also

suggested that there were differences in the factors motivating exports among exporters of different sizes. The utilisation of excess capacity was more important to larger firms while offers of representation by foreign distributors were more important to smaller exporters.

The factors that are associated with the initial decision to internationalize include strategic opportunities abroad, inquiries from foreign buyers, poor domestic sales, international moves by competitors (Karagozoglu and Lindell, 1998), internalization barriers (Campbell, 1996), size (Ortiz-Buonafina, 1990), managerial attitudes (Kedia and Chhokar, 1985) and the ability to acquire information (Reid, 1984). Managerial attitudes play an important part and these can include the desire to maximise potential markets, exploit technological acquisition, to undertake diversification and to offer new products to new markets (Welsh and Wiedersheim-Paul, 1980). Research suggests that managerial attitudes towards exporting can have a significant influence on a small firm's tendency to export regularly (Cavusgil, 1984; Miesenbock, 1988), and can either reduce or stimulate the pursuit of exporting as a business strategy (Axinn, Savitt, Sinkula and Thach, 1995; Burpitt and Rondinelli, 1998).

However, not all SMEs are in a position to internationalize. Some SMEs may produce goods and services that are not tradable and whose goods are restricted to the local domestic market. This may be because of local tastes, distribution costs or because they are unable to establish competitive advantage over domestic suppliers in foreign markets. Even where these factors do not apply, many SMEs may not have the inclination and/or the ability to undertake export operations. This may be the result of the attitudes, resources and the behaviour of the decision maker or entrepreneur and the individual enterprise (He, 2011; Wright et al., 2007). Many non-exporting private enterprises do not export because they are focusing on the domestic market (Westhead et al., 2002). Others are not prepared to undertake the risks involved in committing limited resources to foreign ventures, preferring instead to forgo any potential gain (He, 2011). Despite these considerations SMEs recently accounted for 30% of exports and 10% of FDI globally (OECD, 2004) and it is for this reason that a deeper understanding of the barriers that SMEs face, along with a better understanding of how they are able to overcome these potential barriers, is of great importance.

The barriers proposed by Leonidou (2004), described earlier, have been utilised by researchers to study their impact and relative arresting effect on the internationalization process. Cardoza and Fornes (2011) considered the impact of a range of barriers, as described by Leonidou (2004), on one hundred and twenty five SMEs in China's Ningxia Hui province. They concluded that twelve of the barriers were hindering the expansion of Ningxia's SMEs studied. Similarly Cardoza et al. (2011)

considered the impact of a range of barriers on the expansion of one hundred and thirty seven SMEs from the Jiangsu province of China. They concluded that seventeen of the barriers hindered the expansion of the SMEs studied. This research will also adopt selected barriers identified from the work of Leonidou (2004), to investigate the impact of experiential knowledge and entrepreneurial input on the perceptions towards a selection of these barriers.

In order to meet the aim and objectives of this research it is now necessary to construct a conceptual framework and to develop testable models that can be used to measure the perceptions of the decision makers against a range of barriers to export. The next section will consider the conceptual framework and the development of the experiential knowledge model and the entrepreneurial input model.

# Chapter Four - Conceptual Framework and Model Creation

## 4.1 Introduction

The purpose of this chapter is to consider how the PTI and INV internationalization theories can be adopted as testable propositions, by firstly identifying key underlying themes from within the two frameworks, namely, experiential knowledge and entrepreneurial input respectively, and then developing two individual models based on these key themes. The two models will each contain three measurable variables that influence experiential knowledge and entrepreneurial input, respectively, identified from the PTI and INV streams of literature. These two models can then be tested against the perception of key selected barriers to manufacturing export, in the Chinese province of Ningxia. In this way it will be possible to investigate the association between both the experiential knowledge and entrepreneurial input models, and the individual variables contained within the models, against the perception towards the individual barriers to export.

## 4.2 Converting the Internationalization Models into Testable Propositions

This research will focus on two behavioural internationalization theories, namely the Uppsala PTI and INV theory, and in particular how these theories explain the way in which the barriers to internationalization are mitigated or overcome. These internationalization theories offer two alternative descriptions of the process of internationalization, the former utilizing a gradual and incremental increase in knowledge and resources to overcome the barriers to internationalization and the latter utilizing the entrepreneur's abilities and skills. From the barrier perspective, it is usually factors associated with the characteristics of the manager/decision maker, the organization, and the environment within which the enterprise operates, that makes individual so called 'latent' barriers operative (Cavusgil and Nevin, 1981). These factors can include specific types of knowledge, entrepreneurial abilities and characteristics such as the attitude to risk, and domestic focus (Bilkey and Tesar, 1977).

Both models explain how an enterprise moves from an initial 'low' domestic starting point and progresses to become an international enterprise. The two theories both explain the behaviours and attributes that are necessary in order to successfully develop along their respective predicted international trajectories. The behaviours and attributes highlighted within each theory are highly influential in overcoming and/or mitigating the barriers on the predicted trajectory to internationalization, within those individual theories. It is the way in which the enterprise overcomes or mitigates the barriers to internationalization that defines whether it follows the PTI or INV pathway to internationalization. In the former case, the enterprise follows a gradual internationalization path, which is time and experiential knowledge based. The gradual accumulation of experiential knowledge reduces the risk to the enterprise which allows internationalization to take place. In the latter case, the internationalization proceeds more rapidly and relies on the individual entrepreneurial input of the decision maker.

Although this research is focused on the early export stages of the internationalization process, the expectations that underlie the PTI and INV theories of internationalization i.e. the role of experiential knowledge and entrepreneurial input, are still valid at this stage as well as for the later stages of the internationalization process (Oviatt and McDougall, 1994; Tan et al., 2007).

This approach will give a deeper insight into the relationship between experiential knowledge and entrepreneurial input respectively, on the perception of the selected barriers to export, and will provide valuable information on how a reduction in the perception of individual barriers can best be explained. This research will be valuable as it will allow the identification of which independent variable(s) best explain, or are associated with, the reduction in the perception of each barrier. Based on these results it will be possible to consider the findings in the light of policy recommendations. This approach will also allow hybrid models to be constructed which can produce the best overall explanation for the reduction in the perception of individual export barriers. In this way it will be possible to move away from a purely PTI or INV approach towards more tailored individual models that can better explain the reduction in the perception of the individual barriers.

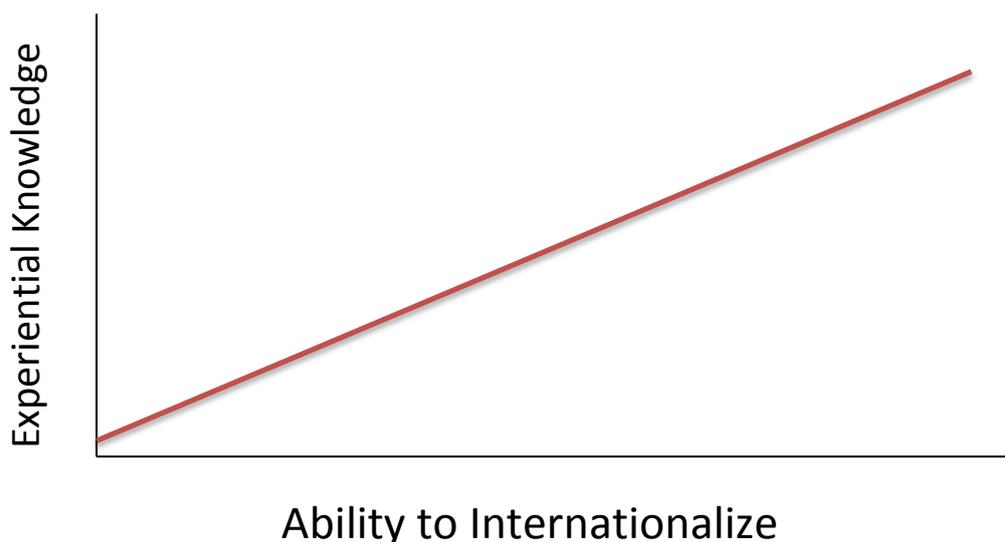
This research will identify fundamental and testable independent variables based on the expectations from within the Uppsala PTI and INV literature, that experiential knowledge (PTI theory) and entrepreneurial input (INV theory), respectively, offer an explanation of how enterprises overcome the obstacles in order to follow the predicted trajectory to internationalization. In the

former case the variables will be based on the experiential knowledge of the enterprise. The experiential knowledge variables that will be adopted are the age of the enterprise; the years of international involvement and the export intensity of the enterprise. These have been identified from the internationalization literature and will be discussed in more detail in the next section. In the latter case, the variables will be based on the entrepreneurial input of the entrepreneur or the decision maker. The entrepreneurial input variables that will be adopted will be the education of the entrepreneur; the attitude to risk of the entrepreneur and the level of proactiveness of the entrepreneur. These variables were identified from the internationalization and entrepreneurship literature and will be discussed in more detail in the next section.

The expectations from within the Uppsala PTI and the INV theories would indicate that these variables would be enabling (or limiting) factors on overcoming or mitigating the barriers to internationalization.

The diagrammatic representation below (figure 18.1) illustrates that as the experiential knowledge base increases, the ability to internationalize increases. Experiential knowledge begins at a low (local) level and increases over time, through business interaction and involvement (Eriksson et al., 1997; Johanson and Vahlne, 1977).

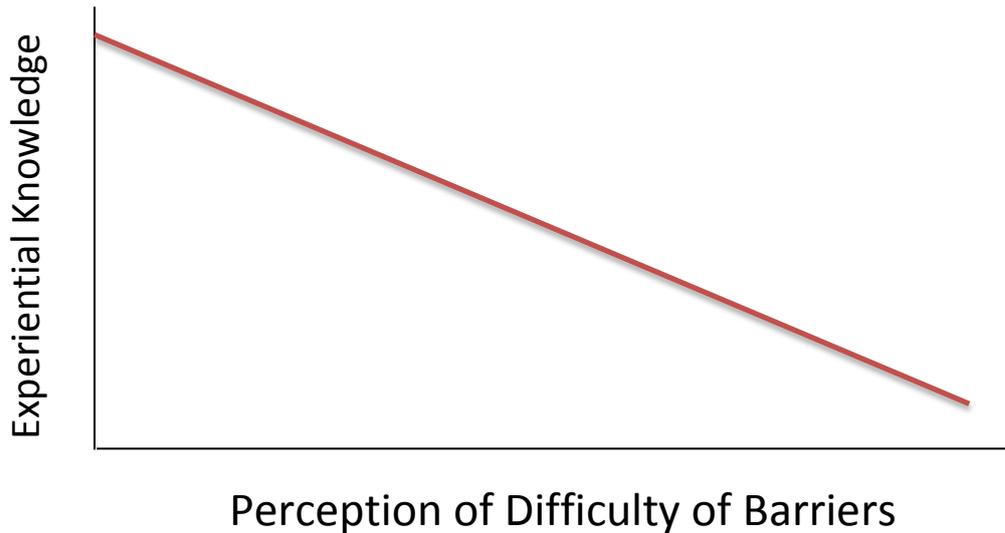
**Figure 18.1: Diagrammatic Representation of the Predictions of the PTI Theory**



The diagrammatic representation below (figure 18.2) illustrates that as experiential knowledge increases then the perception of difficulty in overcoming barriers should be reduced, if the ability to internationalize is increased (as per the first diagram). Although this relationship is inferred, it can be expected that if the ability to internationalize in this way is increased by the accumulation of

experiential knowledge (as predicted by the Uppsala PTI), then the perception of barriers hindering internationalization should be reduced by this accumulation of experiential knowledge. Indeed, one of the basic expectations within the Uppsala PTI is that organizations are risk averse and behave the way they do in order to minimize risk. That is, organizations expand and internationalize when the risk is reduced.

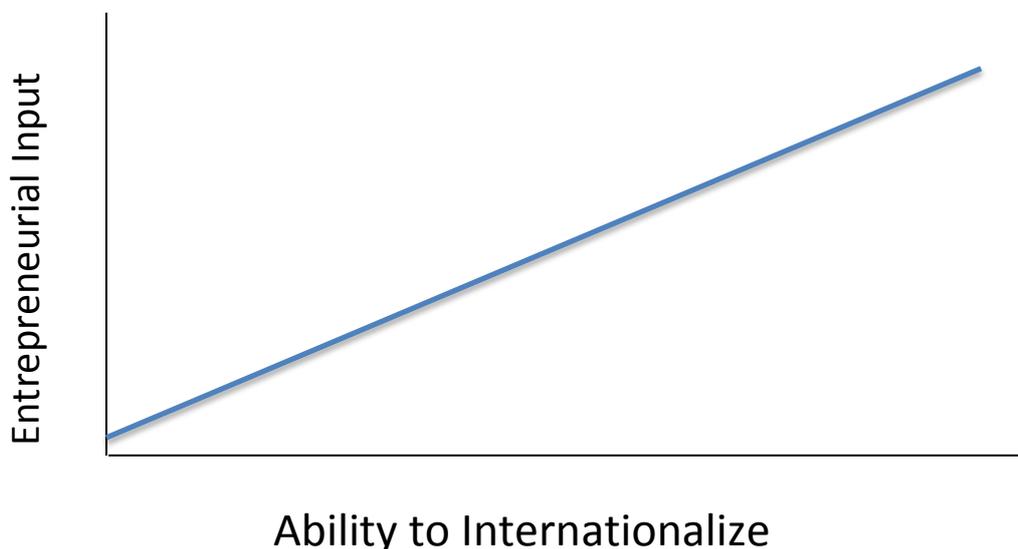
**Figure 18.2: Diagrammatic Representation of the Predictions of the Uppsala PTI Theory**



Internationalization that follows the INV trajectory will now be considered.

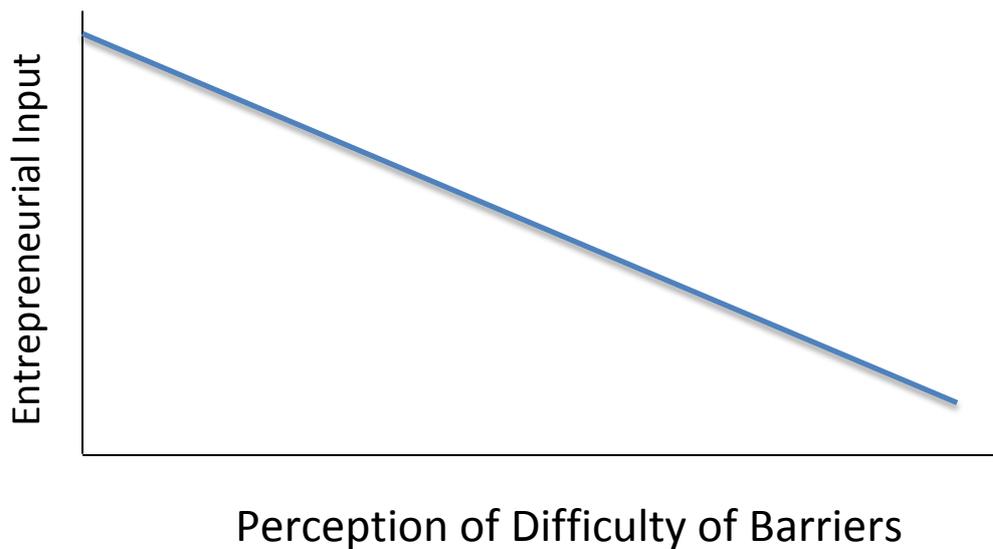
Similarly, the diagrammatic representation below (19.1) illustrates that as the entrepreneurial input increases, the ability to internationalize increases. When entrepreneurial input is low, then the ability to internationalize is low. The INV theory highlights the individual entrepreneurial qualities of the decision maker and greater entrepreneurial input increases or mediates the ability to internationalize (McDougall and Oviatt, 2000; Naude and Rossouw, 2010).

**Figure 19.1: Diagrammatic Representation of the Predictions of the INV Model theory**



The diagrammatic representation below (19.2) illustrates that as entrepreneurial input increases then the perception of difficulty in overcoming barriers should be reduced, if the ability to internationalize is increased. Again, although this relationship is inferred, it can be expected that if the ability to internationalize in this way is increased by the increase in entrepreneurial input (as predicted by the INV theory), then the perception of barriers hindering internationalization should be reduced by an increase in entrepreneurial input.

**Figure 19.2: Diagrammatic Representation of the Predictions of the INV Theory**



Identifying testable variables to represent experiential knowledge in the case of the Uppsala PTI, and variables to represent entrepreneurial input in the case of the INV theory, enables expectations of these models to be tested.

This research focuses on these relationships and is designed to investigate the way in which the experiential input and entrepreneurial input variables and models affect the perception towards the selected individual barriers. This research will test whether an increase in the experiential knowledge model variables and/or an increase in the entrepreneurial input model variables are associated with a reduction in the perception of the individual selected barriers to export, as the expectations of the PTI and INV models would predict. In doing this, this research is moving from a focus purely on the instrumentality of the established PTI and INV theory but in addition seeks to generate evidence of the connection with the mind-set of the enterprise decision makers. In particular, can evidence be generated to determine that an increase in the variables adopted from the PTI and INV models are associated with a reduction in the perception of difficulty of individual barriers to export, leading to an increase in confidence that barriers to export can be surmounted?

The concept that managerial mind-set can affect internationalization has been supported by a number of researchers. For example, Bartlett and Ghoshal (1989) argued that managers' cognitive processes affect the international strategic capabilities of the enterprise. In short, the mind-set of the entrepreneur and management team affects enterprises expansion into international markets.

By identifying key appropriate export barriers from the export barrier stream of literature, it will be possible to test the variables from the experiential knowledge (Uppsala PTI) and the entrepreneurial input (INV theory) against specific barriers from the export literature. It will then be possible to test whether an increase in the selected variables from the internationalization models explain, or are associated with, a reduction in the perception of export barriers. Furthermore, this research will help to identify which variables, and from which internationalization model, best explain the reduction in the perception of each individual barrier. Indeed, this research focuses on how best to mitigate barriers at an individual barrier level. This will not only provide a deeper insight into how the individual barriers can best be overcome but also provides evidence for best policy making decisions.

Whilst reducing the perception of difficulty of individual barriers should reduce perceived risk and make internationalization appear less difficult, this does not necessarily result in enterprises internationalizing. Indeed, many enterprises have little or no interest in exporting abroad (He, 2011; Wright et al., 2007). It is however commonly assumed, that reducing barriers will increase the likelihood of internationalization. This is a reasonable assumption and is commonly promoted and acted upon by governments and agencies through subsidises, tax breaks, development zones and through educational policies (Gibson et al., 2011; Jansson, Soderman and Zhou, 2008; Liu, 2007).

The next section will consider the construction of the experiential knowledge and entrepreneurial input models which will be tested against the individual barriers to export.

### **4.3 Model Development**

The Uppsala Process Theory of Internationalization (PTI) and the International New Venture (INV) theory are two of the most important and influential internationalization theories to come out of the internationalization literature stream (Autio, 2005). These approaches provide alternative theoretical frameworks designed to explain the process that firms follow when internationalizing. The Johanson and Vahlne 'Uppsala' or so-called Process Theory of Internationalization (PTI) (1977, 1990), was produced to explain the gradual and incremental stages of internationalization. The PTI framework is a dynamic model and as knowledge and resources increase over time, perceptions

change and perceived risk decreases allowing internationalization to take place. It was developed from the theory of the growth of the firm and the behavioural theory of the firm. It modelled a gradual firm level progression, which led to more complex and greater resource-demanding set of international activities in increasingly distant markets. This gradual process was undertaken in small steps that reduced risk. The organization's gradual acquisition, integration and utilisation of experiential knowledge (a resource based view) about operations and new markets lead to the gradual increase in commitment to new foreign markets. Experiential knowledge (knowledge that has been acquired through experience and meets the needs and objectives of the organization) is a key theme within the Uppsala PTI framework and is the most valuable knowledge for decision making abroad (Johanson and Vahlne, 1977). The gradual pattern of an organisation's international development can thus be attributed to the lack of appropriate experiential knowledge and the risk or uncertainty associated with the decision to internationalize. The implication of this is that internationalization is constrained by a lack of experiential knowledge which is the key restraining factor to the future commitment of resources (Autio et al., 2000). This research will focus on experiential knowledge because within the framework it is a key regulator to the commitment of resources in new markets (Johanson and Vahlne, 1977).

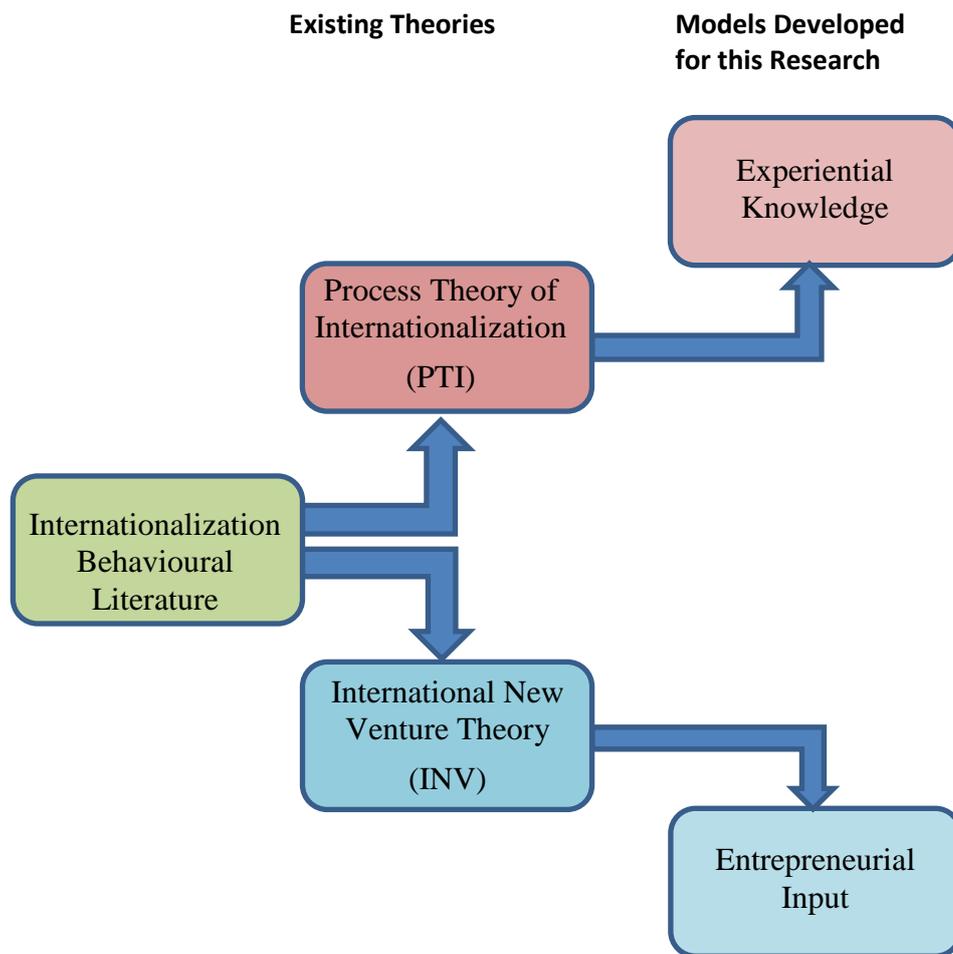
The Uppsala PTI's inability to explain rapid entrepreneurial internationalization, which was often international from the outset, led to Oviatt and McDougall (1994) developing the 'International New Venture' (INV) theory. Oviatt and McDougall (1994; p.40) defined an INV as "A business organization that from inception seeks to derive significant business competitive advantage from the use of resources and the sale of output in multiple countries". This definition largely focused the study of international entrepreneurship on the internationalization of newly founded ventures that were necessarily small and young. The attempt to make international entrepreneurship research less dependent on organizational size and age can be traced back to McDougall and Oviatt (1997: p.293). They defined international entrepreneurship as "New and innovative activities that have the goal of value creation and growth in business organizations across national borders". A later definition of INV, proposed by McDougall and Oviatt (2000), adopted a more generic definition that could equally be applied to both INV's and more established companies and focused more on entrepreneurial qualities rather than the particular age of the organization at initial internationalization (Zahra, 2005). International entrepreneurship was now defined as "A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations" (McDougall and Oviatt, 2000; p.903). This description of international entrepreneurship focuses on the behavioural aspects of the entrepreneur including the

attitude to risk and the ability and knowledge to act in an innovative and proactive way. The attributes and endowments of the entrepreneur are key themes within the framework of the INV model and entrepreneurship theory. Indeed, it is the international entrepreneurial proclivity (an enterprise's predisposition to engage in entrepreneurial processes practices and decision making characterised by its organizational culture for risk taking, proactiveness and innovativeness) that distinguishes the behaviour of an INV organization from a traditional time and stage based behaviour organization (Zhou, 2007).

The Uppsala PTI and INV theories of internationalization offer alternative descriptions to the path that enterprises take to internationalization. According to Autio (2005), despite areas of tension, the two frameworks appear complementary rather than contradictory because the INV theory approach addresses aspects of the PTI approach that have been ignored, either explicitly or implicitly.

The Uppsala PTI and the INV theory cannot themselves be investigated directly due to their theoretical nature. In order to overcome this problem, the fundamental themes of experiential knowledge and entrepreneurial input have been adopted from within the PTI and INV theoretical frameworks respectively. This is shown in the diagram below (figure 20.1). This approach will allow for statistical testing in a field where existing studies are largely based on qualitatively fitting the behaviours of the enterprises to these internationalization theories.

**Figure 20.1: Building of Research Models 1**



#### **4.4 The Development of the Experiential Knowledge Model**

Knowledge constitutes one of the leading factors behind a company's international behaviour (Casillas et al., 2009). In the PTI model, foreign experiential knowledge is a key regulator of resource and commitment to foreign markets (Autio et al., 2000). Experiential knowledge is gathered over time and can only be obtained through personal experience (Johanson and Vahlne, 1977) and is personally acquired through direct market or customer contact (Seringhaus, 1986). Johanson and Vahlne (1977) concluded that it was the critical kind of knowledge because it provided the framework for perceiving and formulating opportunities. In the PTI framework, experiential knowledge influences the levels of risk perceptions of enterprises when they make commitment decisions (Cavusgil, 1980; Johanson and Vahlne, 1977; Zou and Ghauri, 2010). Internationalization takes place over time through a series of incremental steps or decisions. The most important obstacles are a lack of knowledge and resources (Johanson and Wiedersheim-Paul, 1975). Over time as the enterprise's knowledge base and resources increase, it will then initiate internationalization further afield. A greater commitment to foreign business operations results in a greater

accumulation of experiential knowledge within the enterprise's knowledge base. The number of countries in which an enterprise operates as well as the length of time the enterprise operates will affect the knowledge accumulation (Autio et al., 2000; Eriksson et al., 2000; Zahra et al., 2000). For these reasons the testable proxy variables that will be used in this research will be the age of the enterprise, the intensity of the enterprise's current export, and the time (number of years) involved in export activities. All three of these proxy variables would be expected to play a part in the experiential knowledge base of the individual enterprise based on the expectations of the PTI model.

- Age of the enterprise. The accumulation of experiential knowledge should be increased as the number of years that an enterprise trades increases. Over time an enterprise will develop new networks and contacts, learn new processes and skills and gain access to foreign market knowledge.
- Time undertaking export. The amount of time spent undertaking export activities will affect the accumulation of knowledge. As an enterprise accumulates a more general knowledge about the internationalization process, the perception of barriers, perceived risks and uncertainty will be reduced.
- Export intensity. This will be measured in terms of the percentage of indirect exports against total sales. The accumulation of knowledge is based on a gradual and repetitive process where increased knowledge leads to increased commitment to foreign business activities, which then leads to further increased knowledge and further increased commitment (Johanson and Vahlne, 1990). Greater commitment, as measured by export intensity, should lead to a greater integration, learning opportunities and increased experiential knowledge.

## **4.5 The Development of the Entrepreneurial Input Model**

There is an emerging consensus that SME internationalization is an entrepreneurial activity (Lu and Beamish, 2001; O'Cass and Weerawardena, 2009). Naude and Rossouw (2010) concluded that China exhibited significant early international entrepreneurship. The INV theory highlights the importance of the entrepreneur in the internationalization process (Oviatt and McDougall, 1994) and the individual characteristics of the entrepreneur, including innovativeness, proactiveness and attitude to risk (McDougall and Oviatt, 2000). In this model, entrepreneurial knowledge and vision are the key drivers to successfully taking advantage of international opportunities. The importance of an entrepreneur's experience, background and education have been highlighted as playing a significant part as to whether or not a firm internationalizes (De Clercq and Bosma, 2008; McNaughton, 2003; Zucchella et al., 2007). Education and skills have been found to have a positive effect on

internationalization by a number of researchers including Alon and Lerner (2008) and Ardagna and Lusardi (2008). For these reasons the entrepreneurial input model that will be used in this research will consist of three testable proxy variables which will be the entrepreneur's attitude to risk, education and proactiveness. All three of these proxy variables would be expected to play a part in the entrepreneurial skills, characteristics and ability of the entrepreneur based on the expectations of the INV model.

- Entrepreneur's attitude to risk. Entrepreneurs have generally been believed to take more risks than managers (Masters and Meier, 1988) because entrepreneurs bear the ultimate responsibility for their decisions (Gasse, 1982). Entrepreneurship has been defined as the identification and pursuit of opportunity regardless of the firm's current resources (Stevenson and Jarillo, 1990). Risk can also be considered as the extent to which an enterprise is prepared to undertake significant and risky resource commitments in the market (Miller and Friesen, 1978). Oviatt and McDougall (2005b) considered attitude to risk a mediating factor in the extent and speed of SMEs internationalization. In this research attitude to risk will be measured by the propensity to take risk in order to maximise potential profit.
- Entrepreneur's proactiveness. Proactiveness can be considered as a mind-set that focuses on introducing new products or services in anticipation of future demand (Lumpkin and Dess, 2001). It is also reflected in the ability to engage with opportunistic expansion by seizing market opportunities (Lumpkin and Dess, 1996). This research will consider proactiveness as the degree to which enterprises seek out new orders and export markets.
- Entrepreneur's education. Although education is not explicitly part of the INV model and does not appear in McDougall and Oviatt's (2000; p.903) behavioural definition, it is nevertheless implicit within this framework. The importance of opportunity recognition to international entrepreneurship was recognised in a further refinement in the definition by Oviatt and McDougall (2005a) when they defined it as "The discovery, enactment, evaluation and exploitation of opportunities, across national borders, to create future goods and services" (Oviatt and McDougall, 2005a: p.26). It has been argued that an entrepreneur's human capital, based on their education, experience, and skills, is arguably their most important initial resource endowment (Shrader and Siegel, 2007; Wright et al., 2007). Education may be of particular significance in this study because many SMEs in China are family based businesses and the founders do not necessarily have the management skills or financial expertise that are required to develop the business further (Chen, 2006), both of which may be directly influenced by the level of education. Researchers in the past have

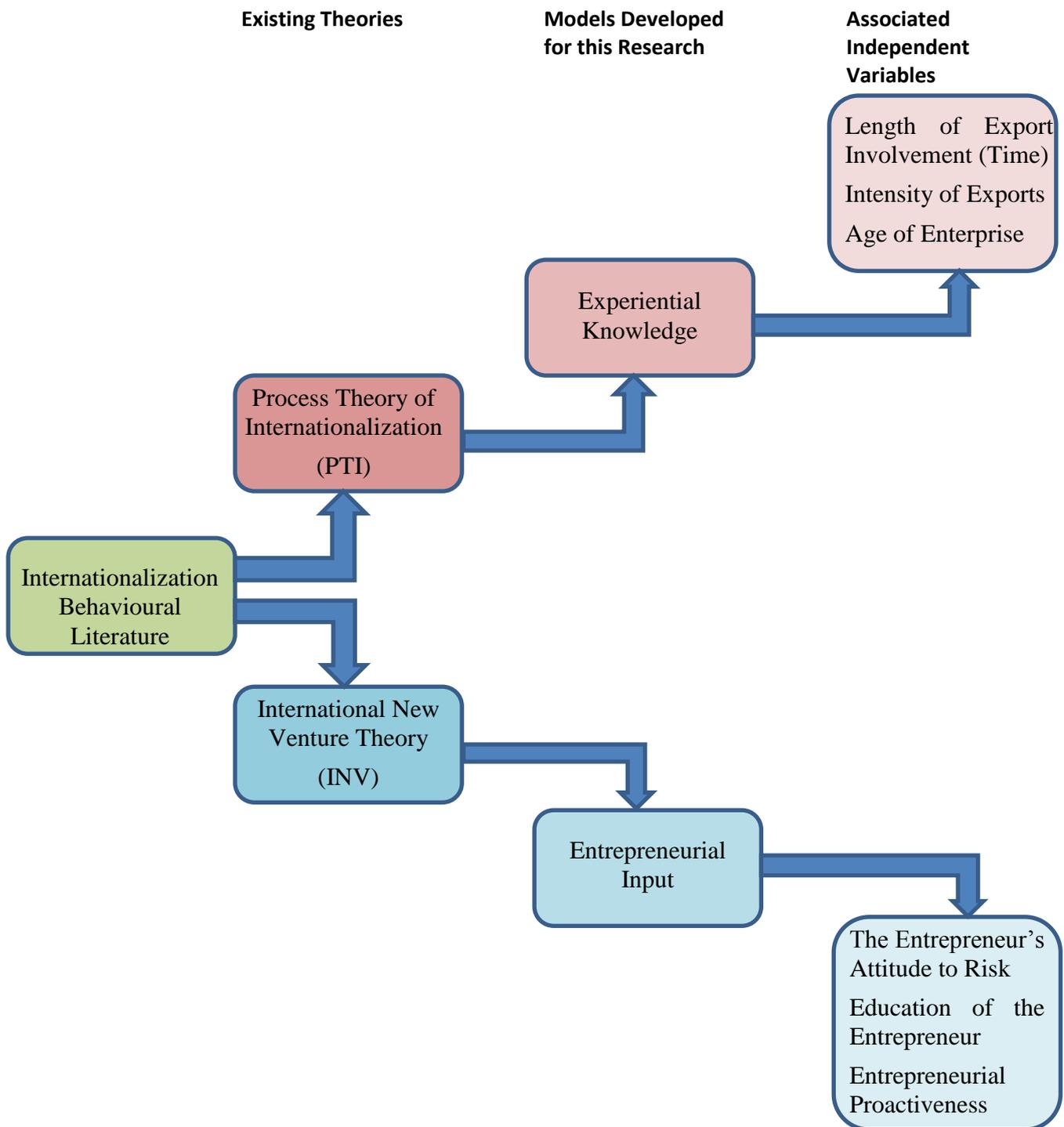
considered the education of the entrepreneur from numerous viewpoints. These have included the length of formal education, the level of education achieved and the level of entrepreneurship training and education. In this research the level of education will be measured in terms of the educational level achieved by the entrepreneur or decision maker.

The choice of variables was based on a review of the literature and the strongest likelihood of those variables which would be most significant, whilst allowing for the fact that there might be more. Whilst other variables such as innovativeness (McDougall and Oviatt, 2000) and competitive aggressiveness (Lumpkin and Dess, 1996) could have been adopted in this research, it was decided that the use of the education variable would provide more valuable insights. The importance of education in the development of entrepreneurship is a topical issue and according to Levie and Autio (2008), opportunity discovery can be regarded as the gatekeeper to entrepreneurial activity. However, this relationship between education and entrepreneurship has not always been identified. This research will provide a valuable opportunity to further investigate the ability of the education variable (level of education) to help explain any reduction in the perception of the selected barriers to export.

Furthermore, it has been suggested that the innovativeness and competitive aggressiveness variables both significantly co-vary with the proactiveness variable (Lee and Lim, 2009). For these reasons it was decided that the level of education would provide a greater insight than the inclusion of competitive aggressiveness and innovativeness variables.

The diagram below (figure 20.2) summarizes how the proxy variables have been developed from the PTI and INV models.

**Figure 20.2: Building of Research Models 2**



This section has focused on developing testable models based on the theoretical perspectives of the PTI and INV frameworks. The experiential knowledge model containing the three variables: the age of the enterprise, the intensity of the enterprise's current exports and the time (number of years) involved in export activities, was derived from the Uppsala PTI. The entrepreneurial input model

containing the three variables: the entrepreneur's attitude to risk, proactiveness and education, was derived from the INV theory.

In order to investigate which model (experiential knowledge or entrepreneurial input model) best statistically explains the reduction in the perception of export barriers to SMEs, eighteen barriers to Chinese SME export development were identified from the literature. This enables the experiential knowledge and entrepreneurial input models to be statistically tested in order to investigate the effect on the perception of selected export barriers.

## **4.6 The Development of Hypotheses**

Based on the above discussion, four hypotheses have been developed to support the research questions and test the models developed and their ability to explain a reduction in the perception of export barriers.

The hypotheses to be tested in this research are outlined below.

- All the statistically significant correlations between the independent variables contained within the experiential knowledge model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.
- All the statistically significant correlations between the independent variables contained within the entrepreneurial input model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.
- The experiential knowledge model has the greatest explanatory power for a reduction in the perception of difficulty in overcoming the barriers to direct export, when compared with the entrepreneurial input model.
- The entrepreneurial input model has the greatest explanatory power for a reduction in the perception of difficulty in overcoming the barriers to direct export, when compared with the experiential knowledge model.

## 4.7 The Identification of SME Export Barriers for this Research

A review of the barrier literature was previously undertaken in the barriers to export section in which the export barriers identified by Leonidou (2004) were highlighted.

Leonidou (2004) considered the impact of a range of thirty-nine export barriers (extracted from a systematic review of thirty-two empirical studies) faced by SMEs in advanced economies. He classified the perceived barriers into different classifications of impact from very high to very low impact. Tesfom and Lutz (2006) concluded that there was a high similarity between the export problems faced by manufacturing enterprises in both developed and developing countries. Almost all the export problems identified in developing countries also existed in the developed economies, particularly for SMEs. Whilst the degree of difficulty and the relative importance of the individual export problems varied, there was a similarity amongst the major issues.

The barriers adopted in this research are based largely on those identified by Leonidou (2004) with particular consideration of the Chinese context. The use of the barriers identified by Leonidou (2004) has been utilised by other researchers when considering barriers to export in the Chinese context. Cardoza and Fornes (2011) operationalized thirty-seven export barriers from those identified by Leonidou (2004) for their study of SMEs in China. Similarly, Cardoza et al. (2011) have adopted the same approach of operationalizing Leonidou's (2004) export barriers for the Chinese SME context. This research is using a similar approach; however it is reducing the number of barriers that will be considered, as the main focus is on the role the experiential knowledge model and entrepreneurial input model play in reducing the perception of individual barriers to direct export. This research has selected a range of both internal and external barriers that are generally applicable to all manufacturing exporters, focusing particularly on those barriers which are either high or very high impact (as defined by Leonidou (2004), in order to give as deep an insight as possible). Within this research the barriers adopted will be used as a vehicle for testing the expectations and underlying assumptions of the Uppsala PTI and INV theories. For this reason, along with the time, scope, and the nature of the specific respondents, it was decided to condense several similar barriers into one overarching question in some cases. For example, the complexity of distribution channels and accessing distribution channels were considered under one general question of; 'How much of a problem do you think developing distribution channels might be when expanding internationally using direct export?' Whilst this approach may produce less detailed responses, this research sought

to cover as broad a range of export barriers as possible in order to test the conceptualizations of the PTI and INV theories and lay the groundwork for more detailed future research.

The barriers that will be adopted in this research are discussed in more detail below.

The availability of finance has often been considered a key issue to privately owned or collective small to medium enterprises. Indeed, the lack of access to finance has been one of the more pervasive problems that SMEs have had to face in both developed and developing countries (Harvie and Lee, 2003). A lack of finance can become a major constraint that can significantly affect the ability of an enterprise to grow, expand its markets, upgrade its technology, improve its management capabilities, raise productivity or simply survive (Levitsky, 1996). Leonidou (2004) highlighted the shortage of working capital to finance exports as a moderate impact variable. Financial barriers for SMEs in developing countries, including the ability to raise finance to begin or finance export sales, have been highlighted by a number of authors including Cardoso (1980), Kaleka and Katsikeas (1995) and Weaver and Pak (1990). Historically, in the case of China, privately owned enterprises were at a disadvantage to state owned organizations and collectively owned enterprises because their access to finance and other critical resources, along with high taxes and regulations, hindered their progress and cash flow (Schiffer and Weder, 2001). Since the introduction of the 'Go Global' policy, the state has taken a series of measures to stimulate SME development. These have included passing related laws and regulations, providing more financial support, including credit guarantees and accelerating construction of a service system to promote the development of small to medium organizations (MOFCOM, 2008a). Recently it was announced that the government would support SMEs by establishing a 15bn Yuan fund and would allocate 3bn Yuan annually over the following five years, along with the release of policy documents to further aid the development of SMEs (Yannon, 2012). However, despite these measures a lack of finance is repeatedly cited to be a problem for SMEs when considering investment (Xinhua News, 2009). Hussain et al. (2006,) suggested that with the exception of a few top performing businesses, most Chinese SMEs have limited growth potential due to their financial constraints. This was echoed by Yang et al. (2009) who argued that limited resources resulted in low levels of internationalization for most Chinese enterprises. This may be aggravated further by the fact that many SMEs in China are family based businesses and the decision makers do not necessarily possess management skills or financial expertise, which can limit the enterprise's further development (Chen, 2006). Yang (2005) has found evidence that 'capital bottleneck' was one of the main reasons for the failure of SMEs in their early years.

This would suggest that the availability of capital and cash flow may be an important consideration in organizations considering international expansion and who may, as a result, either go down, or remain within the indirect internationalization route. It may also be highly variable and depend on factors such as the size of organization, how developed the organization is internationally, and importantly, whether the enterprise is in line with state objectives. In terms of finance, this research will focus on the importance of financial considerations, particularly when considering the alternative of the lower risk indirect export route.

Foreign currency exchange risks are a problem that is inherent to many international business transactions where different currencies are involved. The problems can be divided into three main categories which are unstable exchange rates, the revaluation of the exporters currency (making products and services less competitive), and unconvertible foreign currencies (Czinkota and Ronkainen, 2001). For example, over valuation of local currencies can significantly affect manufacturing exports (Nabil and Veganzones-Varoudakis, 2004). Although the risks can be reduced by buying currency in advance and/or the use of more stable currencies, the risk involved with foreign currency exchange can still deter enterprises from entering these export markets.

Finance barrier variables:

- The availability of finance
- Cost of direct export development
- Foreign exchange risk

The three barriers are developed from those identified by Leonidou's (2004) work and can all affect whether Chinese SMEs internationalize through the direct export route. Leonidou (2004) considered the shortage of working capital to be a moderate impact barrier for SMEs in developed economies and foreign currency exchange risks a high impact barrier.

Leonidou (2004) highlighted the importance of the identification of new markets and the information required to take advantage of these opportunities. The discovery of market opportunities abroad can have a strong bearing upon an organization's willingness to begin and expand exports (Albaum, Strandkov and Duerr, 1998). This is often related to the availability of information and the ability to analyse new information. Lack of advice and information can inhibit expansion and internationalization. Information is essential in order to reduce the levels of uncertainty that surrounds the heterogeneous, sophisticated, and turbulent foreign business

environment (Welsh and Wiedersheim-Paul, 1980). Information can be obtained from various official and unofficial sources and include government agencies, export agencies and intermediaries and personal and business networks. The value of information can depend on the source (reliable, unbiased and sophisticated), quality (accurate, current and complete) and comparability (in terms of measurement) (Czinkota and Ronkainen, 2001). Even when organizations are aware of where to acquire information, they may not necessarily know what specific information is required and how to use it most effectively. The lack of knowledge to identify foreign opportunities in new promising markets as a significant barrier to SME exporters in developing countries has been highlighted by Colaiacovo (1982), Dymsha (1983) and Li (2004). This research will consider the barriers to obtaining and understanding development and market business information in order to make the decision to internationalize.

Information and opportunity awareness barrier variables:

- Identification of new markets
- Information to locate and analyse markets

Both of the information and opportunity awareness barriers were considered to be of very high impact to SMEs considering export development (Leonidou, 2004), although recent changes in technology over the last decade may have reduced the significance of these barriers when seeking to develop exports. Experiential knowledge and the existence of established networks may help in overcoming these barriers. Similarly, it might be expected that entrepreneurial attributes such as proactiveness and a higher level of education may also be influential in these areas. This research can shed light into what factors are most associated with a reduction in the perception of these two barriers.

The role of institutions and business networks play a particularly significant role within the Chinese economy. According to Jansson and Ramström (2005) the core of the Chinese business network, the family business system, has been dominant throughout South East Asia. It has played an important role during the rapid liberalisation of markets and the privatisation of companies. Chinese markets exhibit a network type structure and have become not just the organising principle, but also the institutional medium of economic activity (Hamilton, 1996). The focus of the Chinese business network is on the collective or network; the network is perceived to prevail over the organization and the relationships emanate from a network of persons (Jansson et al., 2007). This network factor is one of the reasons for the lack of success in using organizational and internationalization theories

developed in the Western world. Similarly, Chinese enterprises that seek to internationalize must adapt to the cultural and institutional values and systems of their export markets. Networks and contacts are important in order to ease transition phases, reduce risks, provide additional knowledge and most importantly, in the Chinese context, provide contacts, all of which support a gradual stages model. The term network can be used to include the clustering of SMEs, where their co-location can lead to cooperation and risk reduction. In theory, clustering should make internationalization easier and reduce aversion to risk. Clearly, networks and contacts play an important part in SMEs development and it is important to include these variables in this study to test their relative significance. The ability to obtain reliable foreign representation is important to meet the structural, operational and behavioural requirements of the exporter. Finding a reliable distributor that can represent the organization adequately was considered to be very difficult for SMEs in developing countries by Cardoso (1980). A lack in any of these requirements can adversely affect the success and reputation of the exporter.

Network barrier variables:

- A lack of contacts and networks
- Obtaining reliable foreign representation

These barriers are similar to those proposed by Leonidou (2004) but with particular emphasis on the Chinese environment, where networks play a large part within society and the economy. Leonidou (2004) concluded that obtaining reliable foreign representation was a high impact barrier. The lack of contacts and networks has been added because of the pervasiveness, influence and reliance on networks within the Chinese culture.

Psychic and institutional distance will normally only be a major concern in the later stages of development. Factors will include; location, cultural differences, different business practices and different government and legal institutions and legislation. Organizations that follow a stage-by-stage model or process will only gradually accumulate the knowledge and experience to overcome the obstacles and reduce the risks in internationalizing. According to Johanson and Vahlne (1990), organizations will internationalize into areas where the psychic distance is least, only in time considering expansion into areas where the psychic distance is larger. This may not apply to larger organizations where the target may be to tap into the largest and most lucrative markets or when the object is asset seeking or augmenting and the choice is influenced by the source of the raw materials or assets. However, for small to medium sized Chinese market seeking organizations, the

psychic distance effect, may be expected to be more influential. For this reason this research will seek to quantify the relative importance of these considerations when considering the choice of going to a greater, more direct, involvement and then to a fully integrated internationalization model. The lack of information about export procedures can be a barrier to SMEs in developing countries (Haidari, 1999), as can the lack of knowledge and skills to deal with administrative procedures. Problems arising in these areas can result in delays and cash flow problems for the organization (Haidari, 1999). A perception that procedures and documentation are time consuming and difficult to deal with can lead to a negative attitude towards export markets. The adjustment to different cultures, customer habits and institutions for SMEs from developing economies (South Korea) was highlighted by Weaver and Pak (1990).

Psychic and institutional barrier variables:

- Different foreign customer habits and attitudes
- Verbal and non-verbal language differences
- Unfavourable foreign rules and regulations
- High tariff and non-tariff barriers
- Unfamiliar foreign business practices
- Unfamiliar procedures and documentation

Leonidou (2004) concluded that different foreign customer habits and attitudes was a very high impact barrier, unfavourable foreign rules and regulations was a high impact barrier, high tariff and non-tariff barriers along with unfamiliar foreign business practices were moderate impact barriers, and verbal and non-verbal language differences were a low impact barrier. Cao et al. (2011) highlighted the importance of both the market culture and the social culture which together created a unique business environment for each market, which was characterised by its domestic configuration of regulatory, administrative policy and cultural practices. Unfavourable foreign rules and regulations can include entry restrictions, price controls, special rates of tax, and exchange controls (Cateora and Graham, 2001). Controls of these types can make the export of goods slow, expensive and less profitable. High tariff barriers can either decrease profits or cause prices to increase in the foreign market, whilst non-tariff barriers such as administrative subtleties, quantities restrictions (including quotas and custom administration) can all create barriers to the exporter (Albaum et al., 1998). The impact of these should have been reduced significantly since China entered the WTO in 2001.

Many SMEs in developing countries have difficulty in establishing marketing networks due to a lack of information about market channels. This leads to distribution in exporting becoming a major problem (Cardoso, 1980; Christensen and Da Rocha, 1994; Gereffi, 1992).

Problems can include a lack of available channels, the requirement of long channels that may be too costly to manage, or a restriction by key distributors who control market entry at various levels of the system (Czinkota and Ronkainen, 2001).

Distribution and logistics variables include:

- Development of distribution channels
- Physical distance
- Overseas operation undermining domestic operation

Leonidou (2004) classified the risk of overseas operations undermining domestic operations as a moderate impact barrier. SMEs in particular, face the risk that they may run short of finance and damage their cash flow during the internationalization process (He, 2011). This can result in existing companies taking advantage of the situation and weakening the enterprise further. The distances involved in exporting goods to foreign markets is often greater than within the domestic market and this can cause a delay in the delivery of the products and increases the transportation costs (Albaum et al., 1998). Operating across greater physical distances can be problematic, not only in the creation and maintenance of more distant distribution channels, but also in excessive transportation costs and insurance costs which are a reflection of the physical distance of export markets and which were highlighted by Leonidou (2004) as a very high impact barrier and the complexity of foreign distribution channels was a moderate impact barrier. Increased physical distance can result in more expensive and complicated logistics with the associated increase in risks. The cost of transportation (Brooks and Francis, 1991) and transport service and infrastructure were highlighted as export barriers to SMEs in developing countries. Infrastructure is essential to ensure exports can be transported and delivered to overseas customers safely, reliably and on time (Lall, 1991).

Competing in foreign markets can require the SME to overcome a variety of challenges many of which are related to the so called 'liability of newness' (Stinchcombe, 1965) and the 'liability of foreignness' (Hymer, 1976). These include developing suitable new products for new international markets, adapting designs and styles for new markets, meeting quality standards and specifications, and meeting local packaging and labelling requirements (including symbols, pictures and colours) (Leonidou, 2004). International markets can demand higher and more challenging standards and these may require new and unexpected competencies. All these factors can add cost to the export

products, which can reduce competitiveness in new foreign markets. In addition to these factors, the country of origin can act as a barrier in itself, especially for SMEs (Ghauri and Herbern, 1994; Morgan and Katsikeas, 1997b).

Burgess and Oldenboom (1997) argued that for South African companies the inability to meet foreign competitors' prices was a barrier for most exporters. Price competition has been highlighted as a major factor by numerous authors including Hasan (1998) and Karafakioglu (1986). The competitive challenge of Chinese exports to Vietnamese textile manufacturers was highlighted by Nadi and Jhouburn (2004). Leonidou (2004) described the difficulty in matching competitors' prices as one of the most severe problems faced by SMEs. The difficulties involved in matching prices include those described above. One way in which SMEs can compete in foreign markets is by specialising in niche markets where price competition may not be quite as intense (Doole and Lowe, 2001). These considerations may be less significant for Chinese exporters who are often particularly price competitive globally, due to relatively low labour costs.

Competition variables include:

- Competing with local competition in foreign markets
- Matching competitor's prices in foreign markets

Leonidou (2004) classified the difficulty in matching competitors' prices as a very high impact barrier, and competitiveness in foreign markets as being a moderate impact barrier.

The table below (figure 21) summarises the eighteen barriers that are adopted in this research along with their origin, and Leonidou's (2004) classification of difficulty. It can be seen that where appropriate for this research, as discussed earlier, multiple barriers have been condensed in order to test the concepts of the Uppsala PTI and INV models using a more general spread of barriers. This also reduced the number of questions required in order to try and improve the response rate from the very specific sampling frame, to allow for greater generalization. It should be noted that the classification of difficulty of overcoming the barriers is for reference only, and may well vary within the Chinese context.

**Figure 21: Barriers Adopted for this Research**

<b>Barrier</b>	<b>Origin/Developed From</b>	<b>Equivalent Leonidou (2004) Barrier(s)</b>	<b>Leonidou's Classification</b>
The availability of finance	Leonidou (2004)	Shortage of working capital	Moderate impact
Cost of direct export development	Leonidou (2004); Zaheer 1995; Zaheer and Mosakowski (1997)	Excessive transportation and insurance costs Shortage of working capital	Very high impact Moderate impact
Identification of new markets	Leonidou (2004)	Identifying foreign business opportunities	Very high impact
Information to locate and analyse markets	Leonidou (2004)	Limited information to locate and analyse markets Problematic international market data	Very high impact Moderate impact
A lack of contacts and networks	Hamilton (1996); Jansson et al. (2007); Leonidou (2004)	Problematic communication with overseas customers Maintaining control over foreign middlemen	Moderate impact Very low impact
Complexity of distribution channels	Leonidou (2004)	Accessing export distribution channels Complexity of foreign distribution channels Difficulty in supplying inventory abroad	High Impact Moderate impact Very low impact
Obtaining reliable foreign representation	Leonidou (2004)	Obtaining reliable foreign representation	High impact
Different foreign customer habits and attitudes	Leonidou (2004)	Different foreign customer habits and attitudes Different socio cultural traits	Very high impact Moderate impact
Verbal and non-verbal language differences	Leonidou (2004)	Verbal/non-verbal language differences	Low impact
Unfavourable foreign rules and regulation	Leonidou (2004)	Strict foreign rules and regulations	High impact
High tariff and non-tariff barriers	Leonidou (2004)	High tariff and non-tariff barriers	Moderate impact
Unfamiliar foreign business practices	Leonidou (2004)	Unfamiliar foreign business practices Different socio cultural traits	Moderate impact Moderate impact
Unfamiliar procedures and documentation	Leonidou (2004)	Unfamiliar exporting procedures and paperwork Slow collection of payments from abroad	High impact Moderate impact

Risk of overseas operation undermining domestic operation	Leonidou (2004); He (2011)	Lack of managerial time to deal with exports Inadequate/untrained personnel for exports Lack of excess production capacity for exports	Moderate impact Moderate impact Low impact
Physical distance	Leonidou (2004)	Excessive transportation and insurance costs Inability to contact overseas customers Problematic communication with overseas customers Maintaining control over middle men	Very high impact Very high impact Moderate impact Very low impact
Foreign exchange risk	Leonidou (2004)	Foreign currency exchange risk	High impact
Competing with local competition in foreign markets	Leonidou (2004)	Keen competition in foreign markets Export quality standard Meeting export packaging label requirements Developing new products for foreign markets Adapting export product design style	Moderate impact Low impact Low Impact Very low impact Very low impact
Matching competitor's prices in foreign markets	Leonidou (2004)	Difficulty in matching competitors' prices Offering satisfactory prices to customers'	Very high impact High impact

In this chapter, the conceptual framework for this research was developed. The experiential knowledge model and the entrepreneurial input model were then developed from the Uppsala PTI and the INV theories of internationalization, respectively. Finally the barriers that will be used in this research were identified from the literature. In the next chapter, attention will turn to the research methodology which will be adopted in this research.

# Chapter Five - Research Methodology

## 5.1 Introduction

This chapter will consider the different ways in which this research can be approached and the strategies that can be adopted. The most suitable approach to achieve the aims of this research and the most appropriate research methods will then be highlighted and justified at each stage.

## 5.2 The Research Philosophy

This section will consider the different philosophical approaches to research and identify the most appropriate research philosophy for this research.

Social science research involves an approach that falls somewhere along the continuum between the two extremes of either a subjective or an objective approach. These two major philosophical approaches are defined by several core assumptions concerning ontology (reality), epistemology (knowledge), human nature (pre-determined or not), and methodology (Holden and Lynch, 2004). These assumptions are consequential to each other; that is a researcher's view of ontology affects their epistemological persuasion which, in turn, affects their view of human nature, consequently, the choice of methodology logically follows the assumptions the researcher has already made (Holden and Lynch, 2004). Within each statement of methodology, to meet the aim of the research, are embedded assumptions about the nature of reality (ontological assumptions) and implicit statements about the type of knowledge produced (epistemological assumptions) (Quinlan, 2011). Just as the approach to social science research can fall between the two extremes of subjectivity and objectivity, similarly the ontological and the epistemological perspectives also fall within the two extremes. Attention will now turn to a more detailed consideration of the ontology, epistemology, and the links to the methodology that will be adopted, in this research.

### 5.2.1 Ontology

Ontology is a branch of philosophy that relates to the nature of what exists or the nature of reality. According to Lewis-Beck, Bryman and Liao (2004, p.278), it is the study of "Theories of being, theories about what makes up reality".

The ontological perspective can vary along the continuum between realism, where there is one single truth, and nominalism where there is no truth (Easterby-Smith, Thorpe and Lowe, 2012). The diagram below (figure 22) illustrates four different ontologies along the spectrum.

**Figure 22: Four Different Ontologies**

<b>Ontology</b>	Realism	Internal Realism	Relativism	Nominalism
<b>Truth</b>	Single truth	Truth exists, but is obscure	There are many 'truths'	There is no truth
<b>Facts</b>	Facts exist and can be revealed	Facts are concrete, but cannot be accessed directly	Facts depend on viewpoint of observer	Facts are all human creation

Easterby-Smith et al. (2012)

Empirical reality is objective and external to researchers and exists beyond the human mind (Weber, 2004). There is one single truth, facts exist and can be revealed in the realist perspective. Internal realism accepts there is a single reality but that it is not possible to access the reality directly. Instead, it is only possible to gather indirect evidence (Putnam, 1987). However, once discovered scientific laws and relationships are absolute and independent from further observations (Easterby-Smith et al., 2012). Relativism argues that facts depend on the viewpoint of the observer and as a result there are multiple truths. The nominalism perspective accepts that facts are all of human creation and there is no truth (Easterby-Smith et al., 2012).

This research seeks to measure the barriers to direct export by measuring the perceptions of the participants. The barriers are real and exist (concrete) but cannot be measured directly. This research also seeks to test and produce models that explain the 'truth' of the relationship between the barriers and the experiential knowledge and entrepreneurial input models, respectively. The ontological approach to this research can therefore be considered to be an internal realism approach.

### 5.2.2 Epistemology

Epistemology involves the assumptions that are made about the ways of inquiring into the nature of the physical and social worlds. It is the study of knowledge construction and it can be considered to be a theory of how individuals have knowledge of the world around them. According to Lewis-Beck et al. (2004) the term is used in the social sciences context to decide which scientific procedures can produce reliable social scientific knowledge. Healy and Perry (2000) postulated that epistemological

knowledge is the relationship between reality and the researcher in order to find the truth. The opposite ends of the epistemological spectrum are positivism and social constructivism (Easterby-Smith et al., 2012).

Positivists believe that knowledge can be obtained from observation and experiment, and that the observer is independent. Concepts should be defined so that they can be measured, and generalization is measured through statistical probability. There is an emphasis within positivism on a highly structured methodology in order to facilitate the replication of results (Gill and Johnson, 1997). Research often involves large samples selected randomly from a sampling frame (Easterby-Smith et al., 2011). According to Smith (1998, p.174), the “Positivist approaches to the social sciences claim the label scientific, for they assume things can be studied as hard facts and the relationships between these facts established as scientific laws. For positivists, such laws have the status of truth and social objects can be studied in much the same way as natural objects”.

Social constructivists believe that reality is multi layered and complex and a single phenomenon has multiple interpretations (Cohen, Manion and Morrison, 2011). In these cases the observer is part of what is being observed and the research aims to increase the general understanding of the phenomena. Rich data is collected from which ideas can be induced, and generalization is through theoretical abstraction. Research is also based on a relatively small number of case studies chosen specifically for the research (Easterby-Smith et al., 2012). Positivism is strongly associated with realist ontologies and social constructivism is strongly associated with the nominalism perspective (Easterby-Smith et al., 2012).

This research seeks to demonstrate correlations between the independent and dependent variables and is based on answering pre-set hypotheses and research questions. It seeks to generalize its findings on the relationship between experiential knowledge and entrepreneurial input variables and the perception of difficulty of overcoming a range of selected barriers to direct export. In order to make this generalization, the phenomena being tested are being reduced to simple elements in order to create testable variables and will require a relatively large number of sample cases and the use of statistical probability. The data being collected is objective in nature in order to allow for generalization and comparability across the respondents, and in order to investigate relationships and effects between the variables. The nature of this research fits within a positivist epistemology and this will help to determine and inform the methodological strategies that need to be employed in order to answer the hypotheses and research questions set within this research.

### 5.2.3 Methodological Choice

Just as the researcher's view of ontology affects their epistemological persuasion, which in turn, affects their view of human nature, consequently, choice of methodology logically follows the assumptions that the researcher has already made (Holden and Lynch, 2004).

The methodology dimension focuses on the strategies for creating or discovering knowledge and answers the question of how researchers can confirm what they believe to be known (Crossan, 2003). Methodology can be described as the choice of principles that support any research in accepting or rejecting (proving or disproving) knowledge. Methodology can therefore be regarded as the way in which academic researchers undertake the studying of any phenomenon and can be broken down into four main elements (Silverman, 2006). According to Silverman (2006), the four main elements of methodology are namely; the choice of specific methods; the identification of the assumptions about reality and the role of science and the researcher; the use of appropriate strategies to answer the research questions, and finally, the determination of the procedures that will be adopted that lead on from the methods chosen. Locke, Silverman and Spirduso (2004) argue that a particular research strategy is not necessarily good or bad in an absolute sense but rather a type of research is good or bad to the degree in which it fits well or poorly with the underlying research question. The diagram on the next page (figure 23) illustrates the methodologies that are linked to a range of ontologies and epistemologies. It should be noted that with the less extreme epistemological perspectives illustrated (positivism and constructivism), there can be an overlap or combination of the methodologies that are adopted.

**Figure 23: Methodological Implications of Different Epistemologies**

<b>Ontologies</b>	Realism	Internal Realism	Relativism	Nominalism
<b>Epistemologies</b>	Strong Positivism	Positivism	Constructivism	Strong Constructivism
<b>Methodology</b>				
<b>Aims</b>	Discovery	Exposure	Convergence	Invention
<b>Starting points</b>	Hypotheses	Propositions	Questions	Critique
<b>Designs</b>	Experiment	Large surveys: multi cases	Cases and Surveys	Engagement and reflexivity
<b>Data types</b>	Numbers and facts	Numbers and words	Words and numbers	Discourse and experiences
<b>Analysis/interpretations</b>	Verification/falsification	Correlation/regression	Triangulation and comparison	Sense-making: understanding
<b>Outcomes</b>	Confirmation of theories	Theory testing and generating	Theory generation	New insights and actions

Easterby-Smith et al. (2012)

The aim of this research is to investigate the effect of a series of varying individual and organizational attitudes and characteristics on the perception of a selection of individual barriers to export. It has been established that the most suitable perspective to answer the hypotheses and research questions will be from an internal realist ontology and a positivist epistemology. This type of approach is strongly related to a methodology which adopts propositions, uses large surveys to obtain numbers and word, analyses and interprets the data using correlation and regression, in order to test and generate theory. This will enable the research to shed new light on propositions that have been developed from the established Uppsala PTI and INV theories.

The positivist research paradigm is strongly associated with a quantitative research approach (Amaratunga, Baldry, Sarshar and Newton, 2002). Punch (1998) argued that the ultimate purpose of quantitative research was to discover and understand how and why different variables are related. This is achieved by identifying a large and representative sample from the population and measuring the characteristics of that sample in order to be able to generalize about the total population (Hyde, 2000). The importance of identifying the correct variables is highlighted by Graffikin (2006). The use of statistical analysis leads to a reduction in error and bias and this helps to achieve objectivity (Saunders, Lewis and Thornhill, 2009). Based on the objectives and aims of this research and a positivist outlook, this analysis confirms the use of quantitative data as being the most appropriate

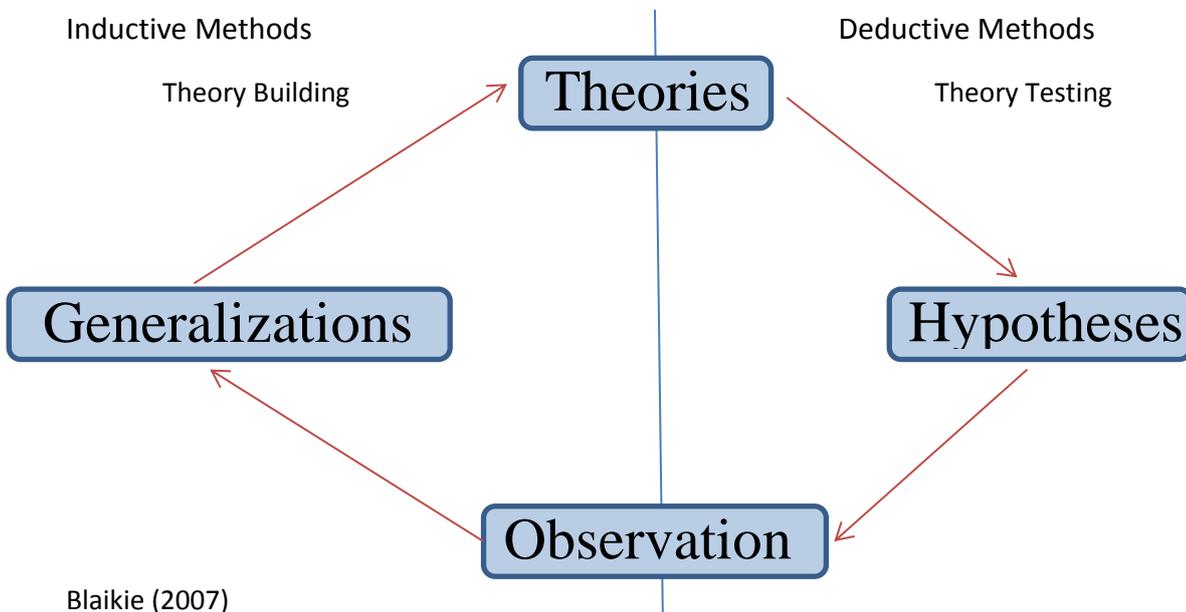
approach, as this aims to produce objective and generalizable outcomes by seeking data/facts regarding relationships using simplified variables extracted from the phenomena that are being researched.

Based on the above discussion, this research will adopt a quantitative large scale methodological design, and will use correlation and regression to analyse and interpret the results, in order to answer the propositions which have been developed from established theory. The research data (knowledge) will be obtained through questionnaires and as such the researcher will be independent. This research will use a positivist epistemology which is based on an internal realism ontology. The specific methodology that will be adopted in this research will be discussed in detail later.

### 5.3 Research Approaches

Positivist research is strongly linked to the deductive approach in research (Smith, 2003). The original relationship between deduction and inductive methods is shown in the diagram below (figure 24).

**Figure 24: Inductive and Deductive Research Approaches**



Blaikie (2007)

Deductive research has its origins in research of the natural sciences and begins with an existing theory and creates testable hypotheses in order to test the validity of the theory. This research is based on testing models produced from existing theories within the literature. The review of the literature has supplied two existing theoretical frameworks that can be broken down into simplified

and testable models. This is the starting point for this research. This research then seeks to develop and test research questions developed from within the existing theoretical framework.

The deductive approach can be seen to be based on the creation of hypotheses or focused research questions, which when tested will be confirmed if the theory is valid. According to Sekaran (2003), hypothesis testing, analysis of results and the development of theory can lead to further theory developments and new hypotheses being tested which creates a feedback loop. The final stage in deductive research after testing and confirming a hypothesis is to introduce some further data. If the result provides positive evidence in predicting theory then this is confirmation and support for the theory (Smith, 2003).

This approach usually involves the collection and use of quantitative data, a highly structured methodology to facilitate replication (an important issue to ensure reliability), and the researcher to be independent of what is being observed and may involve the use of controls (Gill and Johnson, 1997). It is vital that concepts can be operationalized in a way that enables facts to be measured meaningfully in a quantitative fashion. A further characteristic of the deductive approach is generalization. The deductive approach seeks to generalize about regularities in human social behaviour and as a result, requires sample sizes that are sufficiently large for this purpose of generalisation (Saunders et al., 2009).

The alternative inductive process seeks to avoid the tendency to construct a rigid methodology in order to allow alternative explanations of what is observed. Although alternative theories may be suggested through the deductive approach they would, nevertheless, be within the limits set by the highly structured research design. Inductive research is particularly concerned with the context in which events take place and as a result smaller samples, in-depth studies, are normally more appropriate (Saunders et al., 2009). Researchers adopting this approach are more likely to work with qualitative data and use a variety of methods to collect data in order to establish alternative viewpoints to a phenomenon (Easterby-Smith et al., 2012).

A comparison of the research emphasis between the deductive and the inductive approaches is shown in figure 25.

**Figure 25: Deductive and Inductive Research Emphasis**

<b>Deduction Emphasises</b>	<b>Induction Emphasises</b>
Scientific principles	Gaining an understanding of the meanings humans attach to events
Moving from theory to data	A close understanding of the research context
The need to explain casual relationships between variables	The collection of qualitative data
The collection of quantitative data	A more flexible structure to permit changes of research emphasis as the research progresses
The application of controls to ensure validity of data	A realisation that the researcher is part of the research process
The operationalization of concepts to ensure clarity of definition.	Less concern with the need to generalize
A highly structured approach	
Researcher independence of what is being researched	
The necessity to select samples of sufficient size in order to generalize conclusions	

Saunders et al. (2009)

Creswell (2009) suggests that the choice of approach is affected by a number of practical criteria which include;

- The nature of the research topic. A well-developed research field in which there is plenty of data from which suitable frameworks and hypotheses can be developed lends itself to a deductive approach. A research field where there is only limited research and data available lends itself to the generation of data and a theory building inductive approach.
- Time available to undertake the research. Quantitative data collection can be undertaken relatively quickly once the preparatory work has been completed. Qualitative research can be time consuming and requires the appropriate access to undertake research data collection. The analysis can also be time consuming.
- The attitude to risk. The deductive approach should either confirm or refute the stated hypotheses, whereas the inductive approach can result in no observable patterns and no theory production.

The proposed research will involve testing models created from the PTI and INV models against the perceptions towards individual selected barriers to export, and as a result will be deductive in nature

and will involve hypotheses testing and the answering of research questions. There is already a wealth of research surrounding the PTI and INV theories of internationalization and this also applies to research into the field of barriers to export internationalization. This makes a quantitative deductive approach practical and particularly suitable for hypotheses testing. Due to the practicalities of undertaking research in China the study will adopt a cross sectional approach to data collection which will reduce the difficulties of access and the time constraints of the PhD project. The problems associated with obtaining a sample large enough for the purpose of generalization will be considered later in this section.

The deductive approach also reflects the aims and objectives of this research which seeks to use scientific principles to test the expectations of the existing theoretical models within the literature. This research aims to adopt testable models built from the literature and then test the expectations of the models against the selected barrier variables using the data collected. Both the models and the barriers have been operationalized into testable variables in order to seek objective generalizability. A highly structured approach and a large cross-sectional sample of quantitative data will also be employed in order to further develop the objectivity and generalizability.

In this research a positivist philosophy and a deductive approach will be adopted to answer the research questions developed from the existing theoretical framework and produce generalizations about entrepreneurial/organizational behaviour.

## **5.4 Research Strategies**

There are several possible general research strategies that can be adopted in the deductive and inductive research approaches. These include experiment, survey, case study, grounded theory, and ethnography. In addition, the research can adopt either a cross sectional or longitudinal approach to the collection of data.

The experimental approach is a classical form of research and typically involves the definition of a theoretical hypothesis and the measurement of variables within samples of known populations (Saunders et al., 2009). It frequently involves changing the experimental conditions and introducing changes to one or more of the variables in order to assess the impact or changes that these bring about.

The survey approach is particularly suitable for collecting data about the characteristics, actions or opinions of a large group of people. According to Pinsonneault and Kraemer (1993), it is the most suitable method to use in order to answer the research questions about 'what', 'how many', 'how much' and 'why'. Survey research is normally associated with the deductive approach and is a particularly popular strategy in business and management research. The survey strategy allows for the collection of a relatively large amount of data from a sizeable population in an economic way (Saunders et al., 2009).

The case study approach involves the study of specific cases which can be defined as the "Development of detailed, intensive knowledge about a single case, or a sample number of related cases" Robson (1993, p.40). This approach focuses on understanding and analysing the context of a specific phenomenon and can use various methods of data collection (Robson, 2011). This approach is particularly useful for helping to understand the 'why', as well as the 'what' and 'how' questions.

The grounded theory approach is based on a combination of induction and deduction. Data is used to generate predictions which are then tested to prove or disprove the predictions. Theory is then developed from data generated by a series of observations. Constant reference to the data to develop and test theory leads to the name grounded theory (Glaser and Strauss, 1967). Grounded theory is normally undertaken without the formation of an initial theoretical framework.

The ethnographical approach is an inductive approach that has been developed from the field of anthropology. It is designed to interpret the social world that the research subjects inhabit as they interpret it (Saunders et al., 2009). This is often a lengthy and time consuming process.

Longitudinal research has the advantage of being able to study changes or development over time. This type of research can be particularly valuable in highlighting changes that take place over the given period of time under study, but has the disadvantage of taking potentially much longer to complete. Cross sectional studies are more commonplace due to time and cost constraints but can only give information based on data produced at a particular time.

These strategic approaches are not mutually exclusive and more than one strategy may be adopted in a research project. However, it is clear that some strategies lend themselves more to the deductive tradition, whilst others lend themselves more to the inductive approach.

This research does not involve a classic experimental strategy as it does not attempt to introduce different experimental conditions or plan changes to one or more of the variables. Instead, it will gather data based on the perceptions of the participants, along with background data about the individuals and organizations.

This research seeks to make generalizations from the data collected, in order to answer the hypotheses and research questions operationalized from the literature, in a deductive manner. In order to do this a large cross sectional sample is required. This makes the case study approach which involves an in-depth view of a single or sample number of cases, in order to answer 'why' questions, less appropriate for this research. Similarly, ethnography is less appropriate due to its inherent inductive nature, and grounded theory is less appropriate as there is an initial theoretical framework already developed for this research.

Survey research is the most appropriate research strategy for this research, because it can be used to economically collect data on the characteristics and opinions of large groups of people and enterprises, and is particularly suitable for answering the 'what' and 'how much' questions. In the case of this research the survey approach will be used to answer the research question '*what model best explains the reduction in the perception of each individual export barrier?*'. The survey research approach is also particularly suitable for deductive business research and enables the testing of the hypotheses and research questions developed. In light of this, it can be seen the survey approach is particularly suitable to answer both the research questions and hypotheses, and to collect the opinions of the individual decision makers.

A quantitative cross sectional research strategy was adopted in order to give as much data as possible within the fixed period of time that was available for data collection in China. Finally, the large cross sectional data will improve the generalizability of the research findings within the limitations of the research.

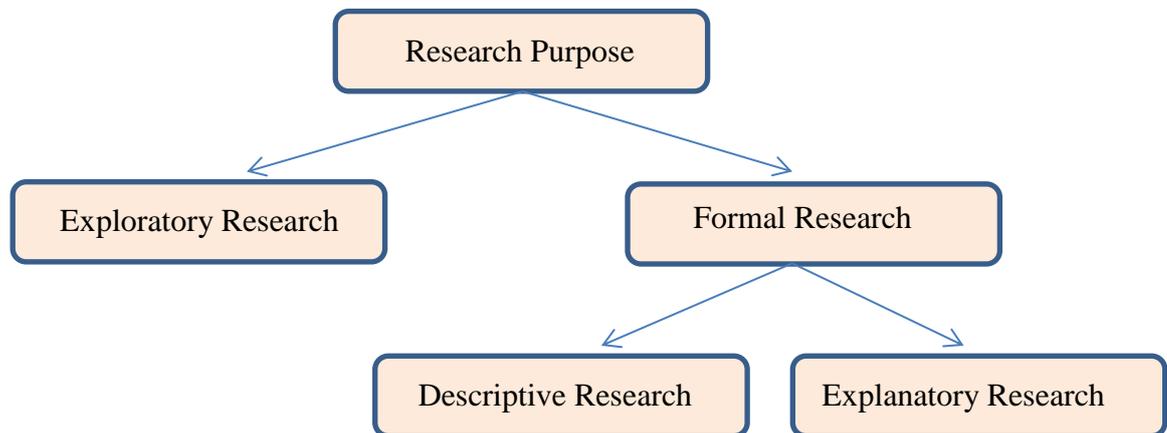
There are a number of considerations that must be taken into account when undertaking survey research. Survey research provides specific answers to specific questions and the information will not be as deep or extensive as data collected through qualitative research methods. Secondly, the number of questions that can be surveyed are normally limited by time and the agreement of the participants. Thirdly, the findings of the research will inevitably only be as good as the survey design in eliciting meaningful information that can answer the research question (Saunders et al., 2009).

Finally, an important consideration when undertaking survey research is the importance of selecting an accurate and representative sample of a suitable size from the population for the survey. These considerations will be considered in more detail in relation to this research.

## 5.5 Nature of Research

Research enquiry can be classified in terms of its purpose as well as by the research strategy adopted (Robson, 2011). In this case, research can be divided into exploratory research and formal research, the latter being divided into two further classifications, namely, descriptive and explanatory research (Cooper and Schindler, 2003; Saunders et al., 2009). This is represented in the diagram below (figure 26).

**Figure 26: Research Purpose**



Punch (1998)

In the same way that more than one strategic approach can be adopted there may be more than one research purpose.

### Exploratory Research

This is research into areas where there is little or no previous research and knowledge, and there are no predetermined relationships that can be developed and tested Punch (1998). The initial focus is broad and the findings will be general in nature. This type of research seeks to develop hypotheses rather than testing established hypotheses. The three most common methods of conducting exploratory research are through literature searches, interviews with experts in the subject and focus group interviews (Saunders et al., 2009). Although both qualitative and quantitative approaches can be adopted, the most common approach is through the use of qualitative data (Stebbins, 2001). This type of research is highly flexible and the direction can change as the research

progresses (Sekaran, 2003). This is normal in exploratory research and does not necessarily reflect an absence of direction in the research (Adams and Schvaneveldt, 1991). As highlighted earlier, the proposed research is not of an exploratory nature as it seeks to test predetermined research questions. This is possible due to the fact that there is already a background of previous research and existing theoretical models to work from.

#### Formal Research

Formal research is based on hypotheses developed from the existing literature or investigated research questions. This type of research can be divided into descriptive and explanatory research.

#### Descriptive Research

According to Robson (1993, p.4) descriptive research seeks “To portray an accurate profile of persons, events or situations”. It focuses only on describing what is or has happened and has no control over variables (Kumar, 2011). It does not seek to identify associations or causal relationships.

#### Explanatory Research

In contrast to descriptive research, explanatory research focuses on understanding, explaining, predicting and controlling the relationship and associations between variables (Cooper and Schindler, 2003). Due to its positivist paradigm, explanatory research is particularly suited to a quantitative approach.

In practice, many studies use more than one of these approaches in combination in order to answer their research questions and achieve their objectives (Kumar, 2011). Punch (1998) identified which types of formal research were most appropriate for answering different general research questions. These are identified in the table below (figure 27).

**Figure 27: General Research Question and Relevant Types of Research**

General Question	Type of Research
How are the variables distributed?	Descriptive
How are the variables related?	Descriptive-Explanatory
Why are the variables distributed and related in this way?	Explanatory

Punch (1998)

This descriptive-explanatory research aims to establish a clear picture and explain the phenomena of the reduction in the perception of export barriers as a function of selected business and personal

attributes. The proposed research will investigate if the variables within the experiential knowledge model (based on the PTI theory) and the entrepreneurial input model (based on the INV theory), respectively, can help explain a reduction in the perception of individual export barriers. It will also seek to investigate which of the models can best explain the reduction in the perception of the individual barriers to export. Based on Punch's (1998) table of formal research questions (table above), this work will fall into the descriptive-explanatory category. The research will be based on testing the developed hypotheses and answering the research questions. This research will focus on whether the variables within the experiential knowledge model and the entrepreneurial input model respectively, can explain a reduction in the perception of the individual export barriers. It will then seek to find out which of the two models can better explain the reduction in the perception of the individual barriers tested.

The nature of this research is descriptive explanatory as it seeks to examine how the variables are related. The nature of the research, along with the research philosophy, will help determine what research approach is adopted in order to determine how the data collected is used and positioned within the research in order to create inference.

## **5.6 Survey Collection Methods**

The choice of the survey collection method is influenced by a number of factors relating to the research questions and objectives. Saunders et al. (2009) summarized these factors as follows;

- The characteristics of the respondents
  - The importance of respondent specificity
  - The importance of contamination or distortion of the results
  - The size of the sample required, allowing for typical response rates
  - The types of questions that need to be asked to elicit the type of data required
  - The number of questions that need to be asked in order to obtain the data required
- 
- Other considerations include:
    - Time constraints
    - Financial costs
    - Availability of interviewers and field workers
    - The difficulty involved in processing and coding data

In considering which type of survey this research should adopt it was necessary to take all of the above points into consideration.

Due to the quantitative nature of the research, it was necessary to obtain a large sample size. A high response rate was essential as access to the population was limited.

Survey research data collection can be classified into three categories based on the type of administration undertaken. They differ in the degree and nature of contact that the researcher has with the participants. These are namely, personal interviews, telephone interviews and self-administered surveys (Cooper and Schindler, 2003). All of these survey research techniques use a form of pre-planned questionnaire to guide and obtain the desired information in order to answer the research questions.

The face to face questionnaire interview is undertaken by the interviewer face to face with the respondent. This approach involves greater expense and organization than other types of data collection but involves the active cooperation of the respondents. They can often generate larger amounts of information than telephone or self-administered questionnaires and both the questions and questionnaire design can be more complex in nature as a helper is on hand to guide and help the respondent. This type of data collection is time consuming and requires a trained interviewer who is aware of the dangers of introducing bias by influencing the respondent in their answers. Interviewer-administered questionnaires are not without potential shortcomings and these need to be reduced to optimise the value and reliability of the data collected. Due to the organizational, time and cost constraints this method was considered to be less suitable. It is imperative to this research that the individual decision maker of the enterprise completes the questionnaire, and to meet this requirement on a one to one basis would have been impractical on the scale that was required for a quantitative study. The questionnaire was designed to collect structured and consistent data that would enable cross sectional quantitative analysis without the need for detailed face to face explanation or input.

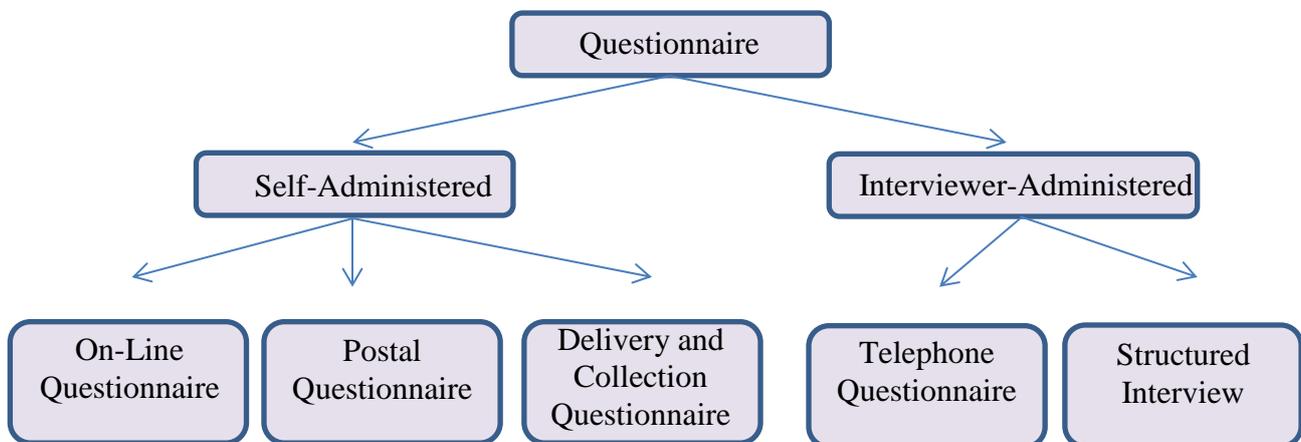
The second type of survey collection is through the telephone questionnaire interview. These are administered over the telephone by the interviewer. This approach can produce large quantities of data over a larger geographic area at a much lower cost per completed interview compared to personal interviewing. However, the design of the questionnaire needs to be simpler to understand and answer and generally fewer questions can be asked. There is also the risk that certain sections of

the population may not be available or contactable by phone which can skew the sample and as a result influence the findings of the research. Response rates are generally relatively high, 50-70% is reasonable (Saunders et al., 2009). This method of data collection was considered to be unsuitable as it would not be possible to ensure that it was the decision maker that took part in the survey.

The third type of survey collection is through the use of self-administered surveys. These can be divided into three categories based on the method of delivery and collection. They can be delivered and returned electronically using either email or the internet (online questionnaires), posted out and returned by post after completion by the respondent (postal questionnaire) or by delivered and collected by hand after completion by the respondent. These types of approaches can gather data over a large geographic area for a relatively low cost. This type of surveying allows the respondent thinking time to ensure a considered response. However, it is difficult to ensure that the correct person completes the questionnaire which may be important within an organization. Furthermore, it is not possible to ensure that the respondent understands the questionnaire in the correct manner and completes it in the way that the researcher anticipates. Self-administered response rates are variable but generally low. A response rate of 30% for postal responses may be considered reasonable, internet response rates can be 10% or less, delivery and collection response rates can be relatively higher with 30-50% response rate being a reasonable response (Saunders et al., 2009). The postal and internet survey approaches were considered to be unsuitable as once again it would not be possible to ensure that the person who completed the questionnaire was the enterprise's decision maker. This would reduce the reliability of the data. It was decided that the most appropriate type of survey collection method would be a form of delivery and collection method.

The diagram below (figure 28) summarizes the different data collection methods available.

**Figure 28: Types of Questionnaire**



Saunders et al. (2009)

The chosen survey collection method involved the distribution of the questionnaires to invited SME decision makers, at the end of a pre-organized business seminar. The questionnaires were then collected on completion at the end of the meeting. A standardized briefing was given to the participants and help was available in answering any particular questions, if required. The advantages of this approach included the participation of identified SME decision makers, a potentially higher response rate, and time and cost effectiveness. The presence of trained and briefed local helpers who could speak the local language enabled more complex questions to be asked, as help was available for those who needed it. This also encouraged participants to complete all of the questions. The questionnaire was completed under the supervision of trained helpers who had all received the same briefing and guidance which should have increased the overall validity and reliability of the results.

This supervised self-administered method of survey collection provided an inexpensive and quick collection of data combined with a high response rate. It also meant that all respondents present could complete the questionnaire at the same time, which was important as the questionnaires were going to be administered in a limited time frame after business seminars.

Other potential survey methods were deemed not suitable due to the difficulty in gaining access directly to the SME decision makers, the fact that not all SMEs have registered phone numbers and email addresses, the much lower potential response rates from other methods, time and cost constraints and the complexity and quantity of information required.

Taking into consideration the discussion above, the most appropriate survey collection method was a locally translated, structured, self-administered questionnaire, completed under the supervision of myself and local trained and briefed helpers.

## **5.7 Questionnaire Development**

### **5.7.1 Questionnaire Layout and Structure**

To obtain the information that was required for this research, a questionnaire consisting of forty three questions was developed from the questionnaire used by Cardoza and Fornes (2011). The questionnaire was divided into four sections which were preceded with an introduction describing the research, full instructions on how to answer and complete the questionnaire, and a guarantee of anonymity for the respondents. The first section consisted of seven questions about the background

of the business. The second section consisted of nineteen questions and asked the respondents about their perception of a range of barriers to export. The third section consisted of ten questions and asked additional questions regarding the background of the business. The final section consisted of seven questions and asked the respondents about their businesses involvement in international markets. A copy of the questionnaire can be found in appendices five and six.

The questionnaire was made up of the three types of questions outlined below.

- List questions. These were used to elicit background information when there was the possibility of more than one response, for example, where respondents would go to seek business advice.
- Category questions. These were used to elicit background information but in contrast to list questions, were designed so that each respondent's answer fitted only one category. For example, what was the main activity of the respondent's business? It is important with these questions that the categories are mutually exclusive and only one box can be ticked.
- Scale questions. Scale or rating questions are often used to measure attitudes and beliefs and are perhaps the most common practice in business research (Zikmund, 2003). The most common approach is the likert type scale which is popular due to the ease of administration. Other rating scales include numerical scales, graphic rating scales, constant-sum scales and ranking scales.

### **5.7.2 Question Development**

Theoretical models based on experiential knowledge and entrepreneurial input, were created from a review of the literature, as described in the previous model development section. The experiential knowledge and the entrepreneurial input models were then tested against a range of export barriers which were identified from a review of the export and internationalization literature.

The independent and dependent variables, the type of question asked and the type of data collected for each variable, are listed below (figure 29).

**Figure 29: Types of Question Asked and Data Collected for Independent and Dependent Variables**

Origin of Variables	Variable	Type of Question	Type of Data
<b>Independent Variables</b>			
Experiential Knowledge Model	Length of time exporting	Category	Ratio
	Intensity of Exports	Category	Ratio
	Age of Enterprise	Category	Ratio
Entrepreneurial Input Model	Attitude to Risk	Scale	Interval
	Education of the Entrepreneur	Category	Ordinal
	Entrepreneurial Proactiveness	Scale	Interval
<b>Dependent Variables</b>			
Identified from the export barrier stream of literature	1. Cost of Expansion	Scale	Interval
	2. Raising Finance	Scale	Interval
	3. Identification of New Markets	Scale	Interval
	4. Information to Analyse Markets	Scale	Interval
	5. Unfamiliar Documents & Procedures	Scale	Interval
	6. Expanding without Networks	Scale	Interval
	7. Distribution Channels	Scale	Interval
	8. Finding Local Representation	Scale	Interval
	9. Foreign Customer Attitudes	Scale	Interval
	10. Language Differences	Scale	Interval
	11. Foreign Rules and Regulations	Scale	Interval
	12. Tariff Barriers	Scale	Interval
	13. Foreign Business Practices	Scale	Interval
	14. Physical Distance	Scale	Interval
	15. Expansion Undermining Base Operation	Scale	Interval
	16. Foreign Exchange Risk	Scale	Interval
	17. Competing with Local Competition in Foreign Markets	Scale	Interval
	18. Matching Competitors Prices in Foreign Markets	Scale	Interval

The perceptions towards barriers and the attitude to risk were developed into fixed numerical interval data questions with descriptions at the two extremes and midpoint of the scales. The entrepreneur's/decision maker's proactiveness and education were developed into categorical data questions which allowed for the direct coding of the data. Basic background information about the enterprises, including the age of enterprise, the time spent exporting and the current intensity of export was also developed into categorical data questions.

### 5.7.3 Questionnaire Scales

This research adopted a seven point numerical rating scale which had numbers as response options rather than space or verbal descriptions to identify the categories or response positions. This type of scale adopts bipolar adjectives at opposite ends of the scale. A sample of the scale used is shown below in figure 32.

Scale questions are particularly useful when attitudes and perceptions are being measured, as respondents are able to grade their responses (Cooper and Schindler, 2003). The most widely used scales range from three to seven points and some researchers believe that a larger number of scale choices enriches the information obtained (Cooper and Schindler, 2003). A seven point scale was adopted in order to provide as wide a range of information as possible, without risking dilution and fragmentation of the data collected. However, it was decided not to increase the scale above seven as it would dilute and fragment the data collected. Ang (1998) concluded that including eight and nine in scales, questions and names, when conducting research in China, could bias results as these numbers have a greater significance in Chinese culture. Roy, Walters and Luk (2001) highlighted the translation of scales as a potential questionnaire problem. However, questionnaires provide a structured data gathering method which ensure that the same clear, concise and precise questions are asked to all respondents and the responses made to the questions are clear, concise and precise (Quinlan, 2011). This highlights the importance of questionnaire design and pretesting in the production of clear, concise and precise questions, both of which will be discussed in detail in the later sections.

Another problem when using likert scales in China was noted by Shenkar (1994), who found that Chinese respondents had a tendency to fill in the middle values when presented with a scale (central tendency). This tendency was taken into account and the respondents were encouraged to consider the whole scale when completing the questionnaire. Other ways of counteracting this bias is to use more points in the scale and spacing the descriptive phrases further apart. The use of a seven point scale with widely spread rating descriptions should help to obtain more differentiated information than a smaller scale.

Other sources of error include leniency error which is introduced by so called 'easy raters' or 'hard raters' and the 'halo effect' where impressions are carried over from one question or rating to the next.

A sample scale is shown below (figure 30):

**Figure 30: Sample Scale Used in This Research**

Of No Concern		Of Moderate Concern			Of High Concern	
1	2	3	4	5	6	7

All the scales will have both extremes labelled along with the middle point for guidance. This should enable the participants to successfully grade their responses to each question. The boxes will also be colour graded to emphasise the graded scale. The questionnaire will be designed so that the same order of response categories follow on, in order to avoid confusing the participants.

This research adopts a seven point numerical rating scale for the attitudinal questions, and these questions are based on the perception of the degree of difficulty in overcoming specific barriers.

Although, such rating scales are often based on ordinal data (very difficult, moderately difficult etc.), they are often treated as interval data because they have a large number of categories (Judd, Smith and Kidder, 1991). Garson (1998) points out that there is widespread agreement, that the greater the number of points on an ordinal scale, the less likelihood there is of serious error of interpretation when using ordinal data for interval procedures. Furthermore, the use of ordinal data from likert scales with interval statistical techniques is now common place in the social sciences.

The use of a seven point rating scale allows for a wide range of numerical values at equal intervals to be assigned to the individual item responses. This allows for interval data analysis techniques to be adopted with the data obtained.

In this study a mixture of categorical questions and fixed numerical interval questions has been chosen, to provide the most useful and appropriate information is collected for analysis to answer the research questions and objectives. It is now important to consider question design.

### **5.7.4 Question Wording**

The wording of the questions is of great importance and considerations for this study included the following, (based on Saunders et al., 2009).

- The question should collect data at the right level of detail to enable the research questions to be answered.
- The respondents should have the necessary knowledge to understand and answer the questions.

- The words used in the questions should be familiar so that all respondents can understand them in the same way. Jargon, abbreviations and colloquialism should be avoided.
- The questions should be as short and simple as possible so they can be understood easily.
- The avoidance of ambiguous questions.
- The avoidance of questions that imply a certain answer.
- The avoidance of embarrassing questions.
- The answers to closed questions should be written so that at least one should apply to every respondent.
- Closed categorical questions should be answerable by one answer.
- The instructions on how to record the answers should be clear.

The questions contained in the questionnaire were designed to take these points into account. Examples of the questions adopted are shown below.

**The Identification of New Markets** - On a scale of 1-7, how difficult do you think it is to identify new market opportunities for direct international export?

This question was designed to measure a decision maker's perception of the difficulty in identifying new export market opportunities.

**Unfamiliar Documents and Procedures** - On a scale of 1-7, how difficult do you think it would be for you to deal with the unfamiliar procedures and documentation involved with international direct export?

This question was designed to measure the decision maker's perception of the difficulty in dealing with new and unfamiliar procedures and documentation involved when considering international direct export.

**Finding local Representation** - On a scale of 1-7, how difficult do you think it is to find reliable local representatives when considering international direct export?

This question was designed to measure the decision maker's perception of the difficulty in finding reliable local representation when considering international direct export.

**Language Differences** - On a scale of 1-7, how difficult do you think it is to overcome local language differences when considering international direct export?

This question was designed to measure the decision maker's perception of the difficulty in overcoming the local language differences when considering international direct export.

All the questions used in the research are contained in the questionnaire document in appendix five.

### **5.7.5 Questionnaire Pretesting**

Curran and Blackburn (2001) highlight the importance that the respondents in a pilot study should resemble as closely as possible those taking part in the main study. Questionnaire testing helps to test the face validity of the questionnaire and also helps to ensure that the respondents were able to understand and answer the questions as intended by the researcher and were able to understand the instructions given with the questionnaire (Fink, 1995). Pilot studies will help to identify any shortcomings on, length, questions, form and content, and structure (Curran and Blackburn, 2001). Bell (1999) highlighted the importance of identifying;

- The length of time taken to complete the questionnaire.
- Any questions that are not clear or are ambiguous.
- Any questions that respondents felt uncomfortable answering.
- Unattractive and cluttered questionnaire layout.
- Shortcomings or areas not covered.
- Other miscellaneous comments and suggestions.

The questionnaire was pretested in three stages, as outlined below.

The first stage was the evaluation and pretesting of the questionnaire in English by two academics, one of whom had undertaken research in China using questionnaires previously. The questionnaire was then pretested in English by six UK practitioners/SME decision makers who would have fitted the sampling frame had this research been conducted in the UK. This step was required to ensure that the questionnaire provided the information required before translation of the questionnaire into Mandarin, and before undertaking the final pretesting of the translated questionnaire by Chinese SME managers and decision makers.

Based on the feedback from the first stage of pretesting, changes were made to improve the wording, descriptions and the layout of the questionnaire. The decision was taken to include more clarification regarding what was meant by terms such as direct export, and the use of simpler phraseology to ensure easier translation and universal understanding. One particular issue was the time that it took to complete the questionnaire and, in particular, the length of time that it would take the Chinese SME decision makers to complete the questionnaire. Several less important background questions were removed at this stage.

The second stage of the process was to translate and test the translation of the Chinese version of the questionnaire. As the questionnaire was originally designed in English, it was translated and pretested for conceptual equivalence to ensure a uniform and accurate understanding of the questions and terminology. This stage of the pretesting involved 'back translation', which has been highlighted as the best way to check for conceptual equivalence when translating questionnaires (Brislin, 1970; Bhalla and Lin, 1987). The questionnaire was translated by two translators and then was subsequently back translated by two different translators. The translators were provided by the Ningxia state authority. At this stage of the questionnaire pretesting no issues were identified and no further changes were made. A copy of the Mandarin version of the questionnaire can be found in appendix six.

The final stage of the questionnaire pretesting was undertaken in China and involved 5 SME decision makers completing the questionnaire to ensure that it was understood in the way that it was intended. No further amendments were made at this stage. The final version of the English and Chinese Mandarin questionnaire that was adopted can be found in appendices five and six.

## **5.8 Sampling Methods**

### **5.8.1 Sampling Technique**

Sampling techniques can be divided into two categories, namely probability (representative) sampling and non-probability sampling (Cooper and Schindler, 2003; Quinlan, 2011).

Probability sampling is based on the complete randomization of sample selection within the sampling population. As a result, there is a zero chance of probability that any one case or element within the population will have no chance of being selected and all samples will have an equal chance of being selected (Birchall, 2009). This makes probability sampling ideal for estimating

statistically the characteristics of the population from the sample. It also allows for the computation of the degree to which the sample varies from the population (sample error) (Birchall, 2009). It is most commonly associated with survey based research where the objective is to make inferences from the selected sample about a larger population in order to answer research questions (Saunders et al., 2009). Probability sampling however, can be expensive, time consuming, relatively complicated and may not be appropriate given the sampling frame that is available to the researcher. Probability sampling involves identifying a suitable sampling frame from the research question and/or objectives; identifying a suitable sample size; identifying the most appropriate sampling technique; selecting the sample, ensuring the sample is representative for the whole population.

There are several types of probability sampling techniques which include simple random sampling, systematic sampling, stratified sampling, cluster sampling and multi stage sampling (Birchall, 2009; Cooper and Schindler, 2003; Quinlan, 2011). The simplest form of probability sampling is simple random sampling. This represents an ideal and perfect type of probability sampling in which every case/element within the population has an equal and known chance of being selected. Simple random sampling is ideal when an accurate and easily accessible sampling frame that lists the entire population is available to the researcher. This allows for the selection of a completely random sample to be chosen without bias from the sampling frame. The main advantage of probability sampling procedures is that such techniques lead to inferences about the population from which the sample is drawn and can state these with a known statistical degree of confidence that any similarly chosen sample would produce the same results. In this respect, probability sampling is the ideal technique for quantitative large-n study where a sampling frame is available. The main drawback is that these procedures can be difficult, complex, lengthy and expensive to undertake (Baker, 2003).

Non-probability sampling can offer a simpler, less time consuming and less expensive methodology. This approach may lack the potential precision and accuracy of a probability based sample but can play an important part in assisting and informing decision making. Non probability (non-random) sampling involves the selection of cases/elements from the target population in a non-random way (Birchall, 2009). There is no attempt to obtain a representative sample (Saunders et al., 2009). This approach leads to a range of alternative techniques which are based on the selection of cases/elements, identified using the researcher's subjective judgement. The different types or techniques of non-probability sampling include convenience, judgement, quota, snowball and self-selection sampling. Judgement sampling is designed to be used where the collection of 'Specialized

informed inputs' on the research area is vital, and the use of other sampling methods would not offer the opportunities to gather the specialized information that is required for the research (Sekaran, 2003). This approach requires that the cases/elements of the sample are chosen according to specific criteria determined by the researcher. In this way the researcher can use judgement to select cases that will best enable the research question to be answered and the objectives to be met. There is no attempt to achieve randomization in the selection of the sample. Judgement sampling may be the only viable approach for obtaining the information required from specific people who alone possess the facts and information required. It often requires special efforts to locate and gain access to the individuals who possess the required information (Sekaran, 2003).

Overall, there were a number of important factors that needed to be considered when identifying the most appropriate sampling method for this study. The first consideration was the lack and unavailability of a reliable sampling frame detailing all of the businesses within the population. A sampling frame can be defined simply as, a complete list of every individual, unit or case within the population (Quinlan, 2011). Many Chinese SMEs are small family businesses and not all SMEs are officially registered. This creates difficulties, not only in identifying every individual SME, but also in being able to contact a representative sample of the whole sampling frame. Without an accurate sampling frame it was not appropriate to consider adopting a probability sampling technique. Other considerations included time and resource considerations, the logistics of undertaking research across a large geographic area, and most importantly, access to the SME business decision makers. For this reason, it was decided to administer the questionnaires following lectures given to a group of invited SME decision makers (managers and owners). This not only reduced the cost and time required to undertake the research but also gave access to those people who were responsible for making the business decisions. This was essential in order to measure the perceptions that governed the attitudes towards development of export. The invitations were distributed to SMEs that met the SME sample criteria and which were situated within three development zones in the province of Ningxia. It was judged that these SMEs within the development zones were some of the most likely businesses to consider undertaking exports in the future as a result of the support available within and through these economic development zones. As a result, their perceptions were particularly suited to this research.

Whilst a completely random probability sample would be the ideal sampling method for drawing inferences, based on the restrictions outlined above, this research will adopt a judgement non-probability sampling technique. This will allow for the data to be collected within the logistical

restrictions, timeframe and budget available. Since this research is based on the perceptions of the individual decision makers involved, it is important that these individuals are specifically targeted for the completion of the questionnaire. Due to the very specific nature of the sampling frame being targeted (the business decision maker within SMEs) a probability sampling technique would have struggled to pinpoint the exact decision maker within the organization without gaining direct access to each organization. As a result of the requirements above, the technique that will be used will be a form of judgement sampling.

In conclusion, the sampling technique that will be adopted in this research will be a judgement non-probability sample. Roy et al. (2001) highlighted the fact that many published Chinese management studies undertaken used a form of convenience sampling due to the difficulties in employing other sampling methods.

### **5.8.2 The Sampling Frame**

The sampling frame for this research is registered SME managers and decision makers who are considering undertaking direct export from the Chinese province of Ningxia. The definition used for SMEs was that defined by the National Bureau of Statistics of China (2008). In Chinese industry, a small to medium sized enterprise is defined as one which has less than 2,000 employees, annual revenues of less than 300 million Yuan or with total assets under 400 million Yuan (National Bureau of Statistics of China, 2008).

### **5.8.3 Determination of Sample Size**

Probability sampling procedures lead to inferences about the population from which the sample is drawn and can state these with a known statistical degree of confidence that any similarly chosen sample would produce the same results. This is not the case with non-probability sampling where non-probability (non-random) sampling involves the selection of cases/elements from the target population in a non-random way (Birchall, 2009) and the cases/elements in the population have no probabilities as to their being chosen as a sample subject. Within probability sampling, in addition to the purpose of the research and the size of the population, three factors need to be specified in order to determine an appropriate sample size. These are the level of precision (sampling error), the level of confidence required and the degree of variability in the distribution of the attributes in the population (Miaoulis and Michener, 1976). Taking all these factors into consideration, it is then possible to calculate an appropriate sample size for the research. Sample sizes calculated in this way

assume that the attributes being measured are normally distributed or at least nearly so (Israel, 2009).

Whilst there is considerable discussion regarding the sample sizes required for probability techniques there is little literature about the sample sizes for non-probability techniques. According to Saunders et al. (2009,) the issue of sample size is ambiguous for non-probability samples. Instead the credibility and what is achievable within the available resource constraints depends more on the research questions and the objectives of the research (Patton, 1990). It is important however, to reduce the potential statistical bias within the non-probability technique adopted. Statistical bias can adversely affect the results from subsequent multivariate analysis techniques (Hair, 2006). By obtaining as large a sample of respondents as practical, and by ensuring that the respondents are the business decision makers within the SME sampling frame, the credibility of the research will be maximised.

This research is based on a sample size of 98 completed questionnaires. The total number of manufacturing legal entities in the province of Ningxia in 2010 was 4,600 (China Statistical Yearbook, 2011). This figure includes organisations that may be larger than those defined as SMEs. Although this figure will be an over estimate of registered manufacturing SMEs, it will provide a useful basis and conclusions will be correspondingly stronger.

## **5.9 Questionnaire Distribution**

The questionnaires were administered in the province of Ningxia, China, over a period of three days at the end of three separate business seminars, each of which lasted approximately two hours. SME business decision makers from the respective development zones were invited to attend. Details of the dates and locations are given in the table below. The questionnaires were distributed by previously briefed administrators, and a verbal briefing was given to the participants in advance of the completion of the questionnaires. The helpers included the official translator and members of the Ningxia Foreign Experts Bureau. In addition, full instructions and examples of how to complete the questionnaire were printed at the beginning of the questionnaires. Help was available if required throughout the process. Upon completion the questionnaires were collected and securely stored to be brought back to the UK for coding. Complete confidentiality and anonymity was guaranteed for all respondents.

It was important in this research that the respondents to the questionnaire were the SME decision makers themselves. Access to SME business decision makers in the Ningxia province was therefore arranged to take place after a series of business lectures, held exclusively for SME business decision makers. This provided access for a limited fixed period of time which could best be used to obtain information through a structured self-administered survey. This approach reduced the time it would have taken to arrange and conduct personal interviews with all the respondents, ensured that the correct people responded to the questionnaire and allowed a greater number of relatively more complex questions to be asked than would have been possible with a telephone interview. The questionnaire was designed to be easy to understand and as quick to complete by the target respondents as possible, to ensure the response rate was high and the data obtained was both reliable and consistent.

By inviting the respondents to a common independent location and conducting the self-administered questionnaire under the same supervision and guidance, the dangers associated with contamination and distortion of the results was reduced to a minimum.

The questionnaires used in this research contained a full explanation of the research being undertaken, a guarantee of anonymity and confidentiality, a description of the format of the questionnaire, and a full set of instructions (including diagrams) to enable the respondent to answer the questions successfully. The importance of anonymity was highlighted by Jobber and O'Reilly (1996) who suggested that anonymity could, on average, increase the response rates of external industrial mail questionnaires by 10%. In addition to these written instructions, the respondents were given a formal verbal briefing as an introduction to the questionnaire, and were informed that helpers were on hand during the session to answer any queries regarding the questionnaire completion process. Prior notification that the questionnaire would be administered at the event was given to those attending. Research by Jobber and O'Reilly (1996) found that prior notification increased the questionnaire response rates of external industrial mail questionnaires, on average, by 19%.

**Figure 31: Locations and Dates of Data Collection**

<b>Date</b>	<b>Development Zone</b>	<b>Location</b>	<b>Sample Size</b>
<b>15/06/2010</b>	Yinchuan Development Zone	North Ningxia	35
<b>16/06/2010</b>	Industry Park of Lingwu City	Central Ningxia	31
<b>17/06/2010</b>	Guyuan Economic Development Zone	South Ningxia	32

## 5.10 Response Rate

The response rate achieved over the three locations was 88.6% which produced 102 completed questionnaires. Four of the questionnaires were incomplete or ambiguous and were deemed void. This left a total of 98 questionnaires (85.2% response rate) and these were coded and then used in the analysis. Although the research was designed to measure the perceptions of the decision makers of manufacturing SMEs interested, though not currently undertaking direct export, three of the 98 responses indicated that they currently undertook 5% or less direct export. Due to the limited amount of direct export that these three enterprises undertook, they were kept in the analysis in order to protect the data set. In this case, the amount of direct export undertaken was added to the amount of indirect export currently undertaken and it was assumed that such relatively small amounts of direct export would not unduly influence the results.

## 5.11 Validity, Reliability, Generalizability

### 5.11.1 The Internal Validity, External Validity, Reliability and Objectivity Criteria

It has been argued that there are four basic criteria when evaluating any disciplined enquiry (Denzin and Lincoln, 1994). These are;

- Internal validity. The degree to which findings correctly map or represent the phenomena.
- External validity/Generalizability. The degree to which the findings can be generalized in other settings.
- Reliability. The extent to which findings can be replicated or reproduced by another researcher on another occasion.
- Objectivity. The extent to which findings are free from any bias.

These are described for quantitative research in the table below.

**Figure 32: Quantitative Validity, Reliability and Generalizability**

	Quantitative
<b>Internal Validity</b>	Does the research measure what it is supposed to measure?
<b>Reliability</b>	Will the measure yield the same results on different occasions?
<b>Generalizability (External Validity)</b>	What is the probability that the patterns observed in a sample will be the same in the wider population?

Adapted from Easterby-Smith et al. (2012)

Validity in research can be defined as how valid, how logical, how truthful, how robust, how sound, how meaningful and how useful the research is (Quinlan, 2011).

Internal validity is concerned with whether the findings are truly representative of what the research is trying to measure.

Generalizability or external validity is concerned with the extent to which the results or findings that are obtained will be equally applicable in larger populations and in other settings.

According to Easterby-Smith (2012) reliability can be assessed by two questions. The first is whether the measurement will produce the same results on separate occasions (the deductive approach). The second question is whether similar observations will be made by different researchers on different occasions (the inductive approach).

### **5.11.2 Internal Validity**

Internal validity can be considered to be the ability of a research instrument to measure what it is purported (supposed or designed) to measure (Cooper and Schindler, 2000). Construct validity refers to the accuracy of a measure, and a valid measure should measure what it is designed to measure (deVaus, 2002). Construct validity then is the judgement based on the accumulations of correlations from studies using the instrument being evaluated. Variants of construct validity include content validity, face validity, convergent validity and discriminant validity (Quinlan, 2011).

Content validity is a non-statistical type of validity that involves the systematic examination of the test content to determine whether it covers a representative sample of the domain to be studied (Anastasi and Urbina, 1997). The content validity of a measuring instrument is the extent to which it provides adequate coverage of the investigative questions needed to answer the research question. This can be the subjective consensus agreement among professionals that a measuring instrument logically appears to be accurately reflecting what it is intended to measure (Zikmund, 2003). Face validity is closely related to content validity and relates to a judgment on whether a test appears to be a good measure based purely on the face of the test. If it appears that the measure provides a good reflection for the construct then the measure has face validity. Whilst face validity is the weakest form of validity testing it can be used as the first stage of assessment before theoretical testing begins (Quinlan, 2011). This research adopted face validity approaches and the questionnaire was examined by both researchers and practitioners to ensure that the questions in the

questionnaire were suitable and appropriate to ensure that it provided a good reflection of what was being measured and that it provided a suitable coverage in order to provide the information and data that was required in order to answer the research questions. Some content validity can be assumed due to the previous testing of the barriers used within this research. Previous researchers have tested the same barriers using similar scales (Cardoza and Fornes, 2009). Future research in this area using the same barriers and scales would add further content validity.

Convergent validity is based on statistically evaluating the degree to which a measure (or item of a construct) is correlated with other measures with which it is theoretically predicted to correlate. When the convergent validity is high then the variables share a high level of variance in common.

Discriminant validity is based on statistically evaluating the degree to which a measure does not correlate with other measures with which it is theoretically predicted not to correlate with. The discriminant validity is determined by a low level of variance in common.

Criterion validity (convergent and discriminant validity) can be measured using variance inflation factor (VIF) and statistical tolerance data from regression analysis. VIF quantifies the severity of multi-collinearity in ordinary least squared regression analysis. It provides an index that measures how much the variance (the square of the estimate's standard deviation) of an estimated regression coefficient is increased because of collinearity. VIF is an alternative measure of collinearity to tolerance, tolerance being the reciprocal of VIF. A larger VIF represents greater collinearity between variables. Tolerance is the measure of correlation between predictor variables and can vary between 0 and 1. The closer the tolerance value is to 0, the stronger the relationship between the predictor variables (Brace et al., 2009). Particular attention should be paid to those variables that show a very low tolerance and a high VIF. Brace et al. (2009) recommend excluding any variables with a tolerance level of less than 0.01. This research undertook VIF and tolerance analysis at the regression stage of the analysis in order to highlight any multi-collinearity between independent variables which might impact on the findings of this research. This testing indicates that the independent variables within the testing are independent from one another and thus individual inferences can be made in regard to each barrier and its reduction in the perception of difficulty.

Within this research all the variables within the experiential knowledge model, entrepreneurial input model and the combined model have a high tolerance and a low VIF. This indicates that there is good criterion validity.

### **5.11.3 External Validity (Generalizability)**

In order for quantitative research to be generalizable it must be sound, both in research design and sampling procedures. In addition, the bigger the sample population then generally the greater the results can be generalized (Quinlan, 2011). It is for this reason that achieving as high a response rate as possible is important to improve the generalizability of the findings.

In this research, a random probability sample of SME decision makers would have been the ideal sampling technique. However, due to the logistics of achieving this across a large geographical area and the time and cost constraints of the research, it was decided that a non-probability judgement sample would be most appropriate. By focusing on groups of SME decision makers present at business lectures and seminars by invitation, it was possible to ensure direct access to the decision makers was achievable. Conducting a postal, telephone or internet survey using a probability sample would have reduced the direct access to the business decision maker and would have resulted in a reduced response rate and the possibility that the questionnaire may have been completed by someone outside the intended sample frame. The research collected 98 completed questionnaires from registered SME decision makers in manufacturing industry in the province of Ningxia. Whilst, a larger sample would have benefited the findings, a sample of 98 registered samples compared favourably with the total number (4,693) of registered SME legal entities in the province (Liu, 2007). In 2010, there were 4,600 manufacturing legal entities of all sizes in the province of Ningxia (China Statistical Yearbook, 2011). Based on this figure, the sample represented 2.1% of all manufacturing legal entities in Ningxia and the percentage of manufacturing SME legal entities would be higher. This sample size is comparable to that used in a similar approach in China by Cardoza and Fornes (2011), who based their research on data from 125 SMEs.

As discussed earlier, the sampling technique used in this research could best be considered as a judgement non-probability sample, and analysis of the results using the Shapiro-Wilk test of normality confirmed that the data could not be considered to be normally distributed at a 95% confidence level (appendix four). This confirms the use of the Spearman's rho coefficient rather than a parametric coefficient. The Spearman's rho coefficient does not assume a normal distribution. However, when the results were analysed using the skewness ratio, it was found that in fifteen of the eighteen barrier sets, the ratio did not exceed a factor of +/- 2. By convention in the social sciences, when the skewness ratio exceeds +/-2 for small to moderate samples, the distribution of the samples can be considered to be severely skewed (Weinberg and Abramowitz, 2002). This can

provide some additional evidence for the generalizability of the findings of this research within the context in which it was undertaken. On this basis and based on the statistics provided by Israel (2009), the size of sample used within this research from the population of between 4000-5000 manufacturing entities, produces a precision level of +/-10% at a 95% confidence level. The figure of 4,800 registered manufacturing enterprises (China Statistical Yearbook, 2011) includes organisations that may be larger than those defined as SMEs. Using this figure will be an over estimate of registered manufacturing SMEs, however, it does provide a useful basis and conclusions will correspondingly stronger. This provides some additional evidence for the generalizability of the data within the context of this research.

This research focuses on a specific sampling frame looking at registered manufacturing SME decision makers in the province of Ningxia. This highly focused sampling frame will help the generalizability of findings across the registered SME manufacturing sector within Ningxia, as businesses within the manufacturing sector in the same province should face similar conditions, barriers and support compared to businesses operating in different geographic areas and different sectors.

The judgemental sampling approach that was adopted had the advantage that specialist information was obtained from the most relevant individuals. This should increase the credibility and strength of the results which in turn should help to improve the generalizability of the results across the manufacturing industry in Ningxia.

#### **5.11.4 Response Bias (Objectivity)**

Response bias is a function of the respondent's perceptions and predispositions (Baker, 2003). A selection of the major sources of response bias were identified by Alreck and Settle (1985) and included:

- Social desirability. Where answers are based on what is perceived to be acceptable or respectable.
- Acquiescence. Answers are based on the perception of what is desirable to the sponsor.
- Yea-and nay-saying. Answers influenced by the tendency towards positive or negative answers.
- Prestige. Answers that are intended to enhance the image of the respondent.
- Threat. Answers that are influenced by anxiety or fear instilled by the nature of the question.
- Hostility. Responses are influenced by feelings of anger or resentment.
- Auspices. Responses are influenced by the image of opinion of the sponsors.

- Mental set. Responses are influenced by perceptions based on previous questions.
- Order. The sequencing of questions may affect the responses.
- Extremity. Responses may be affected by the lack of clarity of extremes and ambiguity of mid-range options may encourage extreme responses.

Careful question design should help to reduce bias arising from confusion or a lack of understanding and should also help to minimize response bias. The respondents completed the questionnaires anonymously, reducing any impact of prestige, threat and social desirability, as the answers could not be traced back to any individual or business. Particular attention was paid to the clarity of the extremes and midrange options of the rating scales. Each end of the scale, as well as the mid-point, was annotated and this was further emphasised by colour shading. The rating scale questions were asked in such a way as to ensure that the rating scales were interpreted in the same way for each question. All scales ran from low impact (1) on the left to very high impact (7) on the right. This should ensure that all questions were answered correctly as intended, and the full range of responses were used to give more detailed information.

### **5.11.5 Reliability**

Reliability focuses on the quality, consistency and overall reliability of the measurement. Reliability can be defined as the degree to which measures are free from error and therefore yield consistent results, in short the repeatability of the measurement (Quinlan, 2011).

The reliability of the data collected from the questionnaire is affected by the design of the questions, the structure of the questionnaire and the rigour of the pilot testing (Fowler, 2009; Saunders et al., 2009; deVaus, 2002). Fowler (2009) argues that the main objective of questionnaire layout and format is to make completion by respondents as easy and straightforward as possible. This includes not only the questionnaire questions themselves, but also the instructions on how to record the answers clearly, which are particularly important for self-administered questionnaires.

In order to maximize reliability the development of the questionnaire was undertaken taking into consideration the structure, the content, the ease of completion, the risk of ambiguity, the availability of assistance, and the guidance within the questionnaire. In addition, the questionnaires were completed in similar surrounding and the respondents were given the same briefing and instructions from the administrator before completion. In addition, the questionnaire was back translated to ensure conceptual equivalence and clear understanding of the questions, terms and

definitions used. Finally, the questionnaires went through three stages of pretesting as outlined earlier, to ensure their validity and reliability was maximized.

## **5.12 Summary**

This research is a quantitative study which employs a structured self-administered questionnaire, targeted at a group of manufacturing SME decision makers using a judgment sampling technique. The questionnaire was developed as described above, taking into consideration the importance of structure, layout, length, questionnaire design, level of difficulty and testing procedures. Response rate was maximised by the administrative process, the availability of help and the guarantee of confidentiality and anonymity. The next chapter will consider how the data collected was analysed in order to meet the aims and objectives of the research.

# Chapter Six - Data Analysis Approaches

## 6.1 Introduction

This chapter considers the data analysis approaches and techniques that are most appropriate to this research and identifies the techniques that will be adopted.

## 6.2 Inferential Statistics and Correlation Testing

Within confirmatory or inferential data analysis, there is a distinction made between parametric and non-parametric techniques. Parametric techniques are used for samples of data which have a normal (bell curve) distribution within a population. As a result, parametric techniques are more powerful than non-parametric techniques which do not require a normal distribution (Collis and Hussey, 2003). Non-parametric techniques are more general and can be used on skewed or non-normally distributed data. As a result such techniques are less discriminating and statistically less reliable (Oakshott, 1994). However, it has been pointed out that parametric techniques make more assumptions than non-parametric techniques (Corder and Foreman, 2009) and if the assumptions are not valid then this can affect the overall robustness of results based on parametric testing.

Some of the advantages of non-parametric techniques have been highlighted by Gibbons (1993) and Siegel and Castellan (1998) and include;

- The data can be distribution free
- They can be used with nominal and ordinal data
- They do not require random sampling and the only assumption is that the data is taken from a continuous distribution

The data that was collected within this study can best be regarded as non-parametric data that was obtained through judgment sampling of a cross section of manufacturing SME decision makers. Firstly, judgment sampling is a form of non-probability sampling, necessitated by the difficulty in gaining access to a specific group of decision makers. Secondly, although manufacturing SMEs are often considered as a homogenous group, there may well be differences within different sized enterprises and across different industries. Non-parametric testing is distribution free and for this reason this approach is the most suitable and will be adopted in this research. Evidence to support the use of a non-parametric coefficient (which does not assume a normal distribution), can be

provided by statistically analyzing the data using the Shapiro-Wilk test of normality. In addition, the Skewness and Kurtosis Ratios were calculated to produce a measure of the skewness and distribution of the data.

## **6.3 Data Analysis Techniques Employed**

According to Collis and Hussey (2003), the factors that influence the choice of statistical techniques or procedures include the following criteria;

- Whether the analysis is exploratory data analysis (to summarize, describe or display the data) or confirmatory data analysis (to make inferences from the sample data).
- The measurement scales of the data (nominal, ordinal, interval or ratio).
- The number of variables for analysis at the same time.
- The distribution type of the data.

As discussed earlier, this research is of a confirmatory nature and seeks to obtain quantitative data in order to test the two models against the perceptions of selected export barriers. Data can be divided into four categories namely nominal, ordinal, interval and ratio. The specific type of data influences directly the type of statistical procedures that can be used. In this research all the dependent variables are interval in nature and all independent variables are at least ordinal in nature.

### **6.3.1 Correlation Analysis**

The measure of association between variables can be measured using several different coefficients of correlation. According to Sekaran (2003), the Pearson correlation coefficient is appropriate for interval and ratio scale variables whilst the Spearman rho or Kendall's tau correlation coefficients are appropriate for measurements by ordinal scales. However, the Pearson's coefficient is for parametric data tests whilst both Spearman's rho and Kendall's tau are non-parametric techniques which give a measure of association between two ranked variables (data must be bivariate and at least of ordinal form) (Collis and Hussey, 2003). In view of the above considerations both Spearman's rho and Kendall's tau are suitable for this study. However, Spearman's rho squares the distance of data dislocations whereas Kendall's tau penalizes data dislocations by the distance of the location. This means that Spearman's rho gives stronger penalty to data dislocation and as such is best suited to larger data sets, whereas Kendall's tau is best suited to small data sets. In this study the data set

contains 98 complete records for analysis so the Spearman rho correlation coefficient will be utilized.

Correlation involves measuring the degree of relationship between two variables, it does not imply causation. There are two important considerations when considering correlation data. The first is the degree of correlation which indicates the strength of association of the variables, and is measured using a correlation coefficient. The second consideration is the statistical significance, or degree of surety, that measures the reliability of the correlation. These are considered in more detail below.

The choice of correlation coefficient is determined by the type of data set being analysed. The Pearson correlation coefficient (Pearson's  $r$ ) is widely used for parametric data, whilst Spearman's rho coefficient or Kendall's tau coefficient are used for non-parametric testing. The latter are suitable when one or both of the scales are not either interval or ratio scales (Brace, Kemp and Snelgar, 2009). This research will utilise the Spearman rho coefficient as discussed earlier to measure the strength of association between the variables. Although there is no general consensus on the interpretation of correlation coefficients, this research will adopt the guidelines outlined by Hair, Money and Samouel (2007) for the interpretation of the strength of association from the correlation coefficient data. They have argued that the differences between the coefficients obtained using different methods are not substantial. The guidelines are set out in the table below (figure 33).

**Figure 33: The Interpretation of Correlation Coefficient Ranges**

Ranges of Correlation Coefficient	Associations
+/- 0.91 to +/- 1.0	Very strong
+/- 0.71 to +/- 0.90	High
+/- 0.41 to +/- 0.70	Moderate
+/- 0.21 to +/- 0.40	Small but definite relationship
+/- 0.00 to +/- 0.20	Slight, almost negligible

Hair et al. (2007)

A negative correlation coefficient equates to a negative relationship between the variables. In other words, as one variable increases the other variable decreases. As this research is focused on what variables best explain the reduction in the perception of export barriers, it will be focusing particularly on negative correlations. Little or no correlation will show correlation coefficients approaching zero.

The statistical significance of a correlation is measured by the chance that the relationship between the variables occurred naturally within the dataset and that it was not due to a true correlation (the null hypothesis). A minimum level of confidence which is generally acceptable in the field of social science is the 95% level (Clegg, 1982). In other words the level of probability ( $p$ ) that the results are due to chance, at which the null hypothesis is rejected and the experimental hypothesis is accepted, must be less than 5% (0.05).

After undertaking correlation analysis the data will then be subjected to regression analysis, as outlined below. Independent variables that show a correlation coefficient between -0.2 and +0.2 (slight or almost negligible correlation) or a probability level of less than a 95% confidence level will not be taken forward to the regression stage. This will help to strengthen the statistical analysis and reduce the chance of error.

### **6.3.2 Regression Analysis**

Regression techniques such as linear, logistic, probit and ordinal regression are valuable tools that can be used to analyze the relationship between a series of independent variables and dependent variables. The choice of regression technique is dependent on the measurement scales of the dependent variables. For example, linear regression is the best technique when the dependent variables are measured using continuous interval scales, whilst, ordinal regression is the best choice when the dependent variable is ordered (Chen and Hughes, 2004).

Brace et al. (2009) identified that multiple linear regression is suitable when the following conditions apply;

- There is a linear relationship between the independent and dependent variables (other techniques can be used for non-linear relationships).
- The dependent variables are measured on a continuous scale (e.g. interval scale), logistic regression can be used for dichotomous dependent variables.
- Independent (predictor) variables are measured on a ratio, interval or ordinal scale.
- There are a large numbers of observations. The number of participants must substantially exceed the number of independent (predictor) variables that are being used in the regression. The absolute minimum is five times as many, although a more acceptable ratio is at least ten to one.

This research will use linear multiple regression analysis as it meets the above criteria and is particularly suitable for measuring the effect of a selection of independent variables against a wide range of dependent variables. This technique will be adopted to test the correlated variables

developed from the PTI and INV models (independent variables) against the eighteen individual barriers (dependent variables). This will highlight the independent variables that best explain the reduction in the perception of individual barriers.

Individual barriers (dependent variables) will be regressed against firstly, the independent variables which were correlated at a 95% confidence level from the experiential model (the age of the enterprise, the number of years of international involvement and the export intensity) and then secondly, against the independent variables which were correlated at a 95% confidence level from the entrepreneurial model (the level of the entrepreneur's education, the proactiveness of the entrepreneur and the entrepreneur's attitude to risk). At this stage any of the independent variables included in the regression that exhibit a confidence level of below 90% or with a t value of closer to zero than +1 or -1, will be removed from the model and the regression will be repeated. It will then be possible to identify which model best explains the reduction in the perception of each individual barrier and what percentage of the variance in the perception of the barrier is accounted for by the model. This will be measured by the adjusted  $R^2$  statistic produced in the analysis. The individual contribution of the independent variables is demonstrated by the standardized beta coefficient. A large value in the standardized beta coefficient indicates that the independent variable has a large effect on the dependent variable. Multicollinearity will be checked through the collinearity diagnostics. Tolerance values measure the correlations between the independent variables and vary between 0 and 1. The closer the tolerance value is to zero then the stronger the relationship between the predictor variables. Brace et al. (2009) suggests that variables that exhibit tolerance levels of less than 0.01 should be excluded from data analysis.

In order to develop new models that optimally best explain the reductions in the perception of individual barriers, the stepwise linear regression technique will be adopted. Stepwise selection is the most popular method for building new models and combines forward and backward sequential approaches (Cooper and Schindler, 2003). The stepwise technique is a sophisticated method that combines the forward selection and the backward elimination of variables to produce the best possible model. In stepwise linear regression, the independent variable that contributes the most to explaining the dependent variable is added first. Other individual independent variables are then entered in sequence and their value is assessed. If the addition of a variable contributes to the model then it is retained and all other variables in the model are then retested to see if they are still contributing to the model's strength. If any of the variables no longer contribute significantly to the model's strength then they are removed. This method ensures that the final model ends up with the

smallest set of independent variables included in the model that significantly add to the model's strength. One of the advantages of stepwise regression is that it should always produce the most parsimonious model (Brace et al., 2009).

## **6.4 Summary**

Correlation testing and regression analysis techniques will be performed to test the relationships between the dependent variables (perception of the individual barriers) and the independent variables (the experiential knowledge and entrepreneurial input model variables). Criterion validity will be measured at the regression stage by the Variance Inflation factor and the statistical tolerance of the independent variables. In this way, the expectations of the PTI and INV models will be tested and the experiential knowledge and entrepreneurial input models will then be tested. Finally, new combination models which best explain the reductions in the perceptions of individual barriers will be developed using Stepwise Regression. The next chapter shows the statistical results and findings from the data analysis.

# Chapter Seven – Results

## 7.1 Introduction

The first stage of this chapter is to check the distribution of the barrier data sets using the Shapiro-Wilk normality test and the skewness ratio statistics. The second stage is to statistically investigate the relationships between the six independent variables, derived from the experiential knowledge model and the entrepreneurial input model, and the perceptions of difficulty in overcoming a series of eighteen identified barriers. This will help to determine whether there is a negative association between variables contained within the experiential knowledge and entrepreneurial input model and the perceptions of difficulty in overcoming the selected barriers to export. The experiential knowledge and entrepreneurial input models will then be tested to determine which model best explains the reduction in the perception of each individual barrier. The fourth stage will be the development of models combined from the variables within the experiential knowledge and entrepreneurial input models that better explain the reduction in the perception of individual barriers. Finally, the fifth stage of this research seeks to identify which independent variables offer the best contribution to explaining any observed reduction in the perception of each individual barrier. In order to achieve this, the following stages of analysis were undertaken using the computer programme IBM SPSS Statistics 19. The information obtained from this analysis will allow the aims and objectives of this study to be met.

## 7.2 Data Distribution Tests

The barrier data was tested for the degree of normal distribution using two tests. The first test was the Shapiro-Wilk normality test. If the significance value of the Shapiro-Wilk Test is greater than 0.05 then the data is normal. If it is below 0.05 then the data significantly deviates from a normal distribution (Weinberg and Abramowitz, 2002). Based on the results of this test it was concluded that the data could not be considered to be normally distributed at a 95% confidence level (appendix four). This confirms the use of the Spearman's rho coefficient rather than a parametric coefficient. The Spearman's rho coefficient does not assume a normal distribution.

The second test that was used was the skewness ratio calculation (appendix four). When the results were analysed using the skewness ratio, it was found that in fifteen of the eighteen barrier sets, the ratio did not exceed a factor of  $\pm 2$ . By convention in the social sciences, when the skewness ratio

exceeds +/-2 for small to moderate samples, the distribution of the samples can be considered to be severely skewed (Weinberg and Abramowitz, 2002). The three barrier sets of data that had a skewness ratio in excess of +/-2 were the language difference barrier, tariff barrier and expansion undermining the base operation.

The conclusion was that although the data sets could not be considered to be normally distributed, in fifteen out of eighteen cases the skewness in the distribution was not considered severe.

### **7.3 Correlation Analysis**

The next stage of the statistical analysis was to conduct correlation analysis tests in order to establish whether firstly, the variables contained within the experiential knowledge model exhibit a negative relationship with the perception of difficulty in overcoming the selected individual barriers to direct export. Secondly, whether the variables contained within the entrepreneurial input model exhibit a negative relationship with the perception of difficulty in overcoming the selected individual barriers to direct export? These relationships are inferred within the Uppsala PTI and the INV theory, respectively.

In order to do this, the independent variables (variables from within the experiential and entrepreneurial models) were correlated against each individual barrier (dependent variable) to assess the degree of correlation and the statistical significance of the correlation as explained above. The results are shown in the tables contained in appendix one.

A summary table of the results is shown on the next page (table 1).

**Table 1: Overview of Correlations between Variables at a 95% Confidence Level**

The table below summarizes the statistical correlations that were found between the barriers and the variables from within the experiential knowledge and entrepreneurial input models, using Spearman’s rho at a 95% or above (one tailed) confidence level.

Barriers	Experiential Knowledge and Entrepreneurial Input variables					
	Export Intensity	Age of the Company	Years of International Involvement	Education Level	Attitude to Risk	Proactiveness
1. Cost of Expansion	✓-	✓-	✓-	X-	✓-	✓-
2. Raising Finance	✓-	✓-	✓-	X-	✓-	X-
3. Identifying New Market Opportunities	✓-	X+	✓-	✓-	✓-	✓-
4. Obtaining and Understanding New Market Info	✓-	✓-	✓-	✓-	✓-	✓-
5. Dealing with Unfamiliar Docs and Procedures	✓-	X-	✓-	✓-	X-	X-
6. Explaining without Networks	✓-	✓-	✓-	X-	✓-	✓-
7. Distribution Channels	✓-	X-	✓-	✓-	✓-	✓-
8. Finding Local Representation	✓-	X+	✓-	X-	✓-	✓-
9. Foreign Customer Attitudes	✓-	X-	✓-	✓-	✓-	✓-
10. Language Differences	✓-	X-	✓-	X-	✓-	✓-
11. Foreign Rules and Regulations	✓-	X-	✓-	X-	✓-	✓-
12. Tariff Barriers	✓-	X-	X	X+	✓-	✓-
13. Foreign Business Practices	✓-	✓-	✓-	X-	✓-	✓-
14. Psychological Distance	✓-	X-	✓-	X-	✓-	✓-
15. Expansion Undermining Existing Business	✓-	X-	✓-	X-	✓-	✓-
16. Foreign Exchange Risk	✓-	✓-	✓-	X-	✓-	✓-
17. Competing with Local Competition in Foreign Markets	✓-	X-	✓-	✓-	✓-	✓-
18. Matching Competitors Prices in Foreign Markets	✓-	✓-	✓-	✓-	✓-	✓-

**Key**

✓ = A correlation at a 95% confidence level

- = A negative correlation

X = No correlation at a 95% confidence level

+ = A positive correlation

It can be seen from tables 2.1 to 2.15 in appendix one and the summary table above (table 1), that all the significant correlations between the perception of the barriers and the experiential knowledge and entrepreneurial input variables were negative correlations. The negative correlations indicate that the lowest perceptions of each individual barrier were associated with the highest values of the experiential knowledge and entrepreneurial input variable.

## **7.4 Regression Analysis**

At this stage the individual barriers (dependent variables) will be regressed against firstly, the independent variables which were correlated at a 95% confidence level from the experiential model (the age of the enterprise, the number of years of international involvement and the export intensity) and then secondly, against the independent variables which were correlated at a 95% confidence level from the entrepreneurial model (the level of the entrepreneur's education, the proactiveness of the entrepreneur and the entrepreneur's attitude to risk). Any of the independent variables included in the regression that exhibit a confidence level of below 90% or with a t value of closer to zero than +1 or -1, will be removed from the model and the regression will be repeated. The final models that were tested excluded the variables that were not correlated or did not meet the regression requirements of a t value of in excess of +/-1 and a significance level ( $p$ ) of  $<.1$ . Multicollinearity as measured by the Variance Inflation Factor (VIF) and the Tolerance statistic indicated that there was only a limited and insignificant amount of multi-collinearity between the independent variables in the regression analysis.

This process will ensure that all the variables contained within the produced models are statistically significant in explaining the reduction in the perception of the selected barriers to export and will have the effect of strengthening the models produced.

The output tables from the regression analysis and an explanation of any removed variables from the analysis are shown in the tables contained in appendix two.

### **7.4.1 Key Data Produced from the Regression Analysis**

The included variables at the regression analysis stage, the variables that were excluded and the subsequent adjusted  $R^2$ , beta coefficients and P values for the tested models, are summarized in the tables 3.1 and 3.2. The first table (2.1) shows the information for the experiential knowledge (PTI)

variables and the second table (2.2) the information for the entrepreneurial input (INV) model variables. The full regression analysis results can be found in Appendix two.

**Table 2.1: Summary Table of the Experiential Knowledge Model Regression Statistics**

<b>Barrier</b>	<b>Experiential Knowledge Variable</b>	<b>Inclusion</b>	<b>Adjusted R-Squared</b>	<b>Beta</b>	<b>T-Value</b>	<b>P-Value</b>
<b>Cost of Expansion</b>	Export Intensity	Y	.303	-.510	-6.01	.000
	Age of Enterprise	Y		-.208	-2.45	.016
	Years of International Involvement	N				
<b>Raising Finance</b>	Export Intensity	Y	.194	-.422	-4.62	.000
	Age of Enterprise	Y		-1.53	-1.67	.097
	Years of International Involvement	N				
<b>Identification of New Markets</b>	Export Intensity	Y	.058	-.220	-1.92	.057
	Age of Enterprise	N				
	Years of International Involvement	Y		-.092	-1.00	.084
<b>Information to Analyse Markets</b>	Export Intensity	Y	.449	-.570	-6.51	.000
	Age of Enterprise	N				
	Years of International Involvement	Y		-.180	-2.05	.043
<b>Unfamiliar Documents &amp; Procedures</b>	Export Intensity	Y	.173	-.288	-2.94	.004
	Age of Enterprise	N				
	Years of International Involvement	N				
<b>Expanding without Networks</b>	Export Intensity	Y	.278	-.483	-5.58	.000
	Age of Enterprise	Y		-.215	-2.49	.015
	Years of International Involvement	N				
<b>Distribution Channels</b>	Export Intensity	Y	.544	-.681	-8.55	.000
	Age of Enterprise	N				

	Years of International Involvement	Y		-.112	-1.40	.064
<b>Finding Local Representation</b>	Export Intensity	Y	.247	-.505	-5.73	.000
	Age of Enterprise	N				
	Years of International Involvement	N				
<b>Foreign Customer Attitudes</b>	Export Intensity	Y	.503	-.617	-7.43	.000
	Age of Enterprise	N				
	Years of International Involvement	Y		-.166	-2.00	.048
<b>Language Differences</b>	Export Intensity	Y	.433	-.429	-4.83	.000
	Age of Enterprise	N				
	Years of International Involvement	Y		-.337	-3.80	.000
<b>Foreign Rules and Regulations</b>	Export Intensity	Y	.482	-.532	-6.26	.000
	Age of Enterprise	N				
	Years of International Involvement	Y		-.262	-3.08	.003
<b>Tariff Barriers</b>	Export Intensity	Y	.112	-.349	-3.64	.000
	Age of Enterprise	N				
	Years of International Involvement	N				
<b>Foreign Business Practices</b>	Export Intensity	Y	.406	-.516	-5.64	.000
	Age of Enterprise	Y		-.145	-1.74	.085
	Years of International Involvement	Y		-.163	-1.69	.094
<b>Physical Distance</b>	Export Intensity	Y	.453	-.519	-5.95	.000
	Age of Enterprise	N				
	Years of International Involvement	Y		-.250	-2.86	.005

<b>Expansion Undermining Base Operation</b>	Export Intensity	Y	.307	-.561	-6.63	.000
	Age of Enterprise	N				
	Years of International Involvement	N				
<b>Foreign Exchange Risk</b>	Export Intensity	N	.234			
	Age of Enterprise	N				
	Years of International Involvement	Y				
<b>Competing with Local Competition in Foreign Markets</b>	Export Intensity	Y	.323	-.312	-3.22	.002
	Age of Enterprise	N				
	Years of International Involvement	Y				
<b>Matching Competitors Prices in Foreign Markets</b>	Export Intensity	N	.293			
	Age of Enterprise	N				
	Years of International Involvement	Y				

It is important to highlight that all the beta and T values in the above models tested are negative in value, signifying that there is a negative relationship between the experiential knowledge variables (independent variables) and the individual barriers (dependent variables). This is in line with the assumption that was made earlier, that as experiential knowledge increased then the perception of barrier difficulty decreased.

The results indicate that export intensity has the most universal power for the explanation of the perceived reduction in the perception of the selected export barriers and appears in sixteen of the models. The beta statistics for export intensity are the highest within the experiential knowledge model for fifteen of the export barriers tested. The numbers of years of international involvement was the most important variable within three of the experiential knowledge models and added to the increase of the adjusted R<sup>2</sup> value on eight of the barriers. The age of the company added to the adjusted R<sup>2</sup> value in three others. The individual experiential knowledge models accounted for up to 54.4% of the (downward) variance in the perception of the reduction in perceived export barriers.

Table 2.2: Summary Table of the Entrepreneurial Input Model Regression Statistics

Barrier	Entrepreneurial Input Variable	Inclusion	Adjusted R-Squared	Beta	T-Value	P-Value
Cost of Expansion	Education	N	.555			
	Attitude to Risk	Y		-.748	-11.04	.000
	Proactiveness	N				
Raising Finance	Education	N	.187			
	Attitude to Risk	Y		-.442	-4.82	.000
	Proactiveness	N				
Identification of New Markets	Education	Y	.471	-.616	-8.19	.000
	Attitude to Risk	Y		-.213	-2.68	.009
	Proactiveness	Y		-.079	-1.08	.077
Information to Analyse Markets	Education	Y	.285	-.114	-1.30	.097
	Attitude to Risk	Y		-.302	-3.27	.002
	Proactiveness	Y		-.329	-3.51	.001
Unfamiliar Documents & Procedures	Education	Y	.254	-.512	-5.83	.000
	Attitude to Risk	N				
	Proactiveness	N				
Expanding without Networks	Education	N	.431			
	Attitude to Risk	Y		-.182	-2.20	.030
	Proactiveness	Y		-.576	-6.98	.000
Distribution Channels	Education	N	.256			
	Attitude to Risk	Y		-.166	-1.76	.082
	Proactiveness	Y		-.436	-4.62	.000
Finding Local Representation	Education	N	.111			
	Attitude to Risk	Y		-.255	-2.47	.015
	Proactiveness	Y		-.176	-1.70	.091
Foreign Customer Attitudes	Education	N	.450			
	Attitude to Risk	Y		-.505	-6.22	.000

	Proactiveness	Y		-.303	-3.74	.000
<b>Language Differences</b>	Education	N	.250			
	Attitude to Risk	Y		-.432	-4.55	.000
	Proactiveness	Y		-.163	-1.72	.089
<b>Foreign Rules and Regulations</b>	Education	N	.277			
	Attitude to Risk	Y		-.401	-4.31	.000
	Proactiveness	Y		-.242	-2.60	.011
<b>Tariff Barriers</b>	Education	N	6.4			
	Attitude to Risk	Y		-.271	-2.76	.007
	Proactiveness	N				
<b>Foreign Business Practices</b>	Education	N	.196			
	Attitude to Risk	Y		-.238	-2.42	.017
	Proactiveness	Y		-.316	-3.22	.002
<b>Physical Distance</b>	Education	N	.373			
	Attitude to Risk	Y		-.252	-2.90	.005
	Proactiveness	Y		-.481	-5.55	.000
<b>Expansion Undermining Base Operation</b>	Education	N	.403			
	Attitude to Risk	Y		-.531	-6.28	.000
	Proactiveness	Y		-.216	-2.56	.012
<b>Foreign Exchange Risk</b>	Education	N	.163			
	Attitude to Risk	N				
	Proactiveness	Y		-.414	-4.46	.000
<b>Competing with Local Competition in Foreign Markets</b>	Education	N	.411			
	Attitude to Risk	Y		-.583	-6.94	.000
	Proactiveness	Y		-.144	-1.72	.089
<b>Matching Competitors Prices in Foreign Markets</b>	Education	N	.248			
	Attitude to Risk	Y		-.506	-5.75	.000
	Proactiveness	N				

Once again, it is important to highlight that all beta and t values in the above models tested are negative in value, signifying that there is a negative relationship between the entrepreneurial input variables (independent variables) and the reduction in the perception of the individual barriers (dependent variables). This is in line with the assumption that was made earlier, that as experiential knowledge increased then the perception of barrier difficulty decreased.

The results show that the attitude to risk variable appeared in sixteen of the models, proactiveness appeared in thirteen of the models and education in three of the models. Attitude to risk showed the greatest beta coefficient (a measure of the contribution to the model) in eight of the ten barriers, followed by proactiveness in six of the barriers and education in the remaining two. A more detailed discussion of the results will follow in the discussion section. The individual entrepreneurial input models accounted for up to 55.5% of the (downward) variance in the perception of the reduction in perceived export barrier.

## 7.4.2 Summary of Adjusted R<sup>2</sup> Statistics for the Experiential Knowledge and Entrepreneurial Input Models

The table below (table 3) shows the adjusted R-squared results for the two models in relation to the individual barriers. As discussed earlier, the adjusted R<sup>2</sup> statistic is a measure of the proportion of the variance accounted for by the tested model.

**Table 3: Summary Table of Adjusted R<sup>2</sup> Statistics for the Experiential Knowledge and Entrepreneurial Input Models**

Barrier	Adjusted R-Squared for the Experiential Knowledge Model (PTI)	Adjusted R-Squared for the Entrepreneurial Input Model (INV)
1. Cost of Expansion	.303 (30.3%)	.555 (55.5%)
2. Raising Finance	.194 (19.4%)	.187 (18.7%)
3. Identification of New Markets	.058 (5.8%)	.471 (47.1%)
4. Information to Analyse Markets	.449 (44.9%)	.285 (28.5%)
5. Unfamiliar Documents & Procedures	.173 (17.3%)	.254 (25.4%)
6. Expanding without Networks	.278 (27.8%)	.431 (43.1%)
7. Distribution Channels	.544 (54.4%)	.256 (25.6%)
8. Finding Local Representation	.247 (24.7%)	.111 (11.1%)
9. Foreign Customer Attitudes	.503 (50.3%)	.450 (45%)
10. Language Differences	.433 (43.3%)	.250 (25%)
11. Foreign Rules and Regulations	.482 (48.2%)	.277 (27.7%)
12. Tariff Barriers	.112 (11.2%)	.064 (6.4%)
13. Foreign Business Practices	.406 (40.6%)	.196 (19.6%)
14. Physical Distance	.453 (45.3%)	.373 (37.3%)
15. Expansion Undermining Base Operation	.307 (30.7%)	.403 (40.3%)
16. Foreign Exchange Risk	.234 (23.4%)	.163 (16.3%)
17. Competing with Local Competition in Foreign Markets	.323 (32.3%)	.411 (41.1%)
18. Matching Competitors Prices in Foreign Markets	.293 (29.3%)	.248 (24.8%)

The figures in the above table indicate that of the eighteen barriers that were tested, the reduction in perception of difficulty of overcoming twelve of the barriers were better explained by the experiential knowledge model and six were better explained by the entrepreneurial input model.

A full discussion of the above results together with the conclusions that can be inferred can be found in chapter eight.

## **7.5 Building New Combination Models**

Having identified the correlated independent variables within the two models and having calculated their significance in explaining the reduction in the perception of individual barriers through regression analysis, it is then possible to create new combined theoretical models. This can be done through the process of stepwise regression. All the independent variables that were correlated with the individual barriers and met the correlation criteria were regressed using stepwise regression against the individual barrier. This process was chosen in order to produce the most effective and parsimonious set of independent variables (new combined model) for each individual barrier.

The results of the stepwise regression are shown in the tables contained in appendix three. A summary of the results is shown below (table 4).

**Table 4: Summary of Statistical Data Produced from Stepwise Regression**

The table below summarizes the variables selected from the stepwise regression stage that build the best combination model that helps best to explain the perceived reduction in the perception of the individual barriers. In the table the experiential knowledge (PTI) variables have been shaded green and the entrepreneurial input (INV) variables have been shaded red.

Barrier	Variables Selected using Stepwise Regression	Adjusted R-Squared (accumulative)	Beta	P-Value
Cost of Expansion	Attitude to Risk	.555	-.682	.000
	Years of International Involvement	.625	-.195	.006
Raising Finance	Attitude to Risk	.187	-2.88	.000
	Export Intensity	.246	-2.65	.018
Identification of New Markets	Education	.418	-.628	.000
	Attitude to Risk	.471	-.242	.002
Information to Analyse Markets	Export Intensity	.431	-.572	.000
	Proactiveness	.49	-.180	.040
Unfamiliar Documents & Procedures	Education	.254	-.490	.000
	Export Intensity	.307	-.245	.005
Expanding without Networks	Proactiveness	.409	-.527	.000
	Export Intensity	.485	-.236	.008
Distribution Channels	Export Intensity	.539	-.744	.000
	Proactiveness	.558	-.196	.012
	Attitude to Risk	.575	-.177	.034

<b>Finding Local Representation</b>	Export Intensity	.247	-.505	.000
<b>Foreign Customer Attitudes</b>	Export Intensity	.488	-.451	.000
	Attitude to Risk	.550	-.297	.001
	Proactiveness	.564	-.158	.045
<b>Language Differences</b>	Export Intensity	.354	-.321	.002
	Years of International Involvement	.433	-.327	.000
	Attitude to Risk	.453	-.196	.037
<b>Foreign Rules and Regulations</b>	Export Intensity	.436	-.532	.000
	Years of International Involvement	.482	-.262	.003
<b>Tariff Barriers</b>	Export Intensity	.112	-.349	.000
<b>Foreign Business Practices</b>	Export Intensity	.364	-.596	.000
	Age of Company	.406	-.192	.017
<b>Physical Distance</b>	Export Intensity	.412	-.403	.000
	Proactiveness	.532	-.300	.001
	Years of International Involvement	.554	-.187	.029
<b>Expansion Undermining Base Operation</b>	Attitude to Risk	.368	-.432	.000
	Export Intensity	.466	-.309	.002
<b>Foreign Exchange Risk</b>	Years of International Involvement	.233	-3.86	.000
	Proactiveness	.281	-2.57	.008
<b>Competing with Local Competition in Foreign</b>	Attitude to Risk	.399	-.523	.000
	Years of International Involvement	.496	-.338	.000

<b>Markets</b>				
<b>Matching Competitors</b>	<b>Years of International Involvement</b>	.293	-.426	.000
<b>Prices in Foreign</b>	<b>Attitude to Risk</b>	.405	-.363	.000
<b>Markets</b>				

The results show that the greatest contribution to the reduction in the perception of difficulty comes from the contribution of the experiential knowledge variable in eleven of the barrier models and from the contribution of an entrepreneurial input variable in seven of the barrier models. The new combined models accounted for up to 62.5% of the (downward) variance in the perception of the reduction in perceived export barriers.

### 7.5.1 A Summary of Adjusted R<sup>2</sup> Statistics for the Experiential Knowledge and Entrepreneurial Input Models and the Combined New Models produced from Stepwise Regression

Table 5: Summary of Adjusted R<sup>2</sup> Statistics for the Experiential Knowledge and Entrepreneurial Input Models and the Combined New Models produced from Stepwise Regression

Barrier	Adjusted R-Squared Experiential Knowledge Model (PTI)	Adjusted R-Squared Entrepreneurial Input Model (INV)	Combined New Model Adjusted R-Squared
1. Cost of Expansion	.303 (30.3%)	.555 (55.5%)	.625 (62.5%)
2. Raising Finance	.194 (19.4%)	.187 (18.7%)	.246 (24.6%)
3. Identification of New Markets	.058 (5.8%)	.471 (47.1%)	.471 (47.1%)
4. Information to Analyse Markets	.449 (44.9%)	.285 (28.5%)	.490 (49%)
5. Unfamiliar Documents & Procedures	.173 (17.3%)	.254 (25.4%)	.307 (30.7%)
6. Expanding without Networks	.278 (27.8%)	.431 (43.1%)	.485 (48.5%)
7. Distribution Channels	.544 (54.4%)	.256 (25.6%)	.575 (57.5%)
8. Finding Local Representation	.247 (24.7%)	.111 (11.1%)	.247 (24.7%)
9. Foreign Customer Attitudes	.503 (50.3%)	.450 (45%)	.564 (56.4%)
10. Language Differences	.433 (43.3%)	.250 (25%)	.453 (45.3%)
11. Foreign Rules and Regulations	.482 (48.2%)	.277 (27.7%)	.482 (48.2%)
12. Tariff Barriers	.112 (11.2%)	.064 (6.4%)	.112 (11.2%)
13. Foreign Business Practices	.406 (40.6%)	.196 (19.6%)	.406 (40.6%)
14. Physical Distance	.453 (45.3%)	.373 (37.3%)	.554 (55.4%)
15. Expansion Undermining Base Operation	.307 (30.7%)	.403 (40.3%)	.466 (46.6%)

<b>16. Foreign Exchange Risk</b>	.234 (23.4%)	.163 (16.3%)	.281 (28.1%)
<b>17. Competing with Local Competition in Foreign Markets</b>	.323 (32.3%)	.411 (41.1%)	.496 (49.6%)
<b>18. Matching Competitors Prices in Foreign Markets</b>	.293 (29.3%)	.248 (24.8%)	.405 (40.5%)

The actual differences in the adjusted  $R^2$  values are important in evaluating the magnitude of relative importance between the models. Whilst there are no formal standards of relative importance, there are 'effect size' standards put forward by Cohen (1988) in the behavioural sciences. According to these standards  $R^2$  values of 0.01, 0.09 and 0.25 constitute small, medium, and large effects. O'Boyle, Humphrey, Pollack, Hawver and Story (2010) point out that these standards were set for bivariate relations rather than multivariate models, which is predominantly the case with this research. O'Boyle et al. (2010) point out that a medium effect at the bivariate level may become small or non-significant when other variables are added into a model. As a result, they suggest that these standards can be viewed as more conservative when applied to research involving a larger number of independent variables.

Based on these criteria, it can be seen that for thirteen of the eighteen tested barriers, the new combined models showed a small to medium increase in the adjusted  $R^2$  statistics compared to those found in the original two models.

A full discussion of the above results, together with the conclusions that can be drawn from the research, can be found in chapter eight.

## 7.6 Results Summary

This research has developed an experiential knowledge model and an entrepreneurial input model based on the assumptions and expectations of the PTI and INV theories of internationalization, respectively. The variables contained within the models were identified from the original theories and the subsequent literature around the theories. Both of these models contained three measureable and testable independent variables, which were then used to examine their relationship with the perception of difficulty of eighteen barriers to direct export (dependent variables), identified from the literature. This section has focused on the statistical analysis of the data collected. This involved the use of non-parametric correlation tests and ordinal regression techniques.

The barrier data was first subjected to the Shapiro Wilk test of normality and the skewness ratio was calculated. This confirmed that the data was non-parametric in nature, however in fifteen of the eighteen cases, it was considered by social science convention not to be severely skewed. The next stage involved testing for correlation amongst the variables which was performed using Spearman's rho because of the non-parametric nature of the data. A Spearman's rho correlation analysis produced widespread correlations at the 95% confidence level between the barriers and variables in both the experiential knowledge and entrepreneurial input models. In the former case there were eighteen correlations with export intensity, seventeen correlations with years of international involvement and seven correlations with the age of the enterprise. With the entrepreneurial input model variables there were seventeen correlations with attitude to risk, sixteen correlations with proactiveness and seven correlations with education. This is summarized in the summary table (table 2). These correlations allowed for a wide range of experiential knowledge and entrepreneurial input variables to be taken forward as independent variables to the regression stage.

The experiential knowledge and entrepreneurial input variables that showed correlation at the 95% confidence level were then linear regressed as experiential knowledge and entrepreneurial input models, against the eighteen individual barriers to produce adjusted  $R^2$ , beta and P value data. All the relationships that were tested in the regression analysis produced negative beta and T values, highlighting the negative relationship and association between the independent and dependent variables. For both the experiential knowledge and the entrepreneurial input variables that were correlated and tested, an increase in these variables resulted in a decrease in the perception of difficulty in the barrier. This is in line with the assumptions that were made in this research, regarding the operationalization of the PTI and INV models into testable variables. The downward nature of the relationships will allow the  $R^2$  to explain how much the individual models can account for the proportion of the variance in the reduction of the perception of the perceived barriers. This will enable the hypotheses in this research to be tested.

The regression analysis statistics are shown in the summary tables 3.1 and 3.2.

In the case of the experiential knowledge model it is clear that export intensity has the widest explanatory power for the reduction in the perception of export barriers. The beta statistics for export intensity are the highest within the experiential knowledge model for fifteen of the export barriers tested. The number of years of international involvement was the biggest contributor within

the experiential knowledge model in three cases and added to the increase of the adjusted  $R^2$  value in eight of the barriers. The age of the company added to the adjusted  $R^2$  value in three others.

In the case of the entrepreneurial input model, the attitude to risk variable showed the greatest beta coefficient in ten of the eighteen barriers, followed by the proactiveness variable in six of the barriers and the education variable in the remaining two. A more detailed discussion of the results will follow in the next chapter.

In order to test if it was possible to build new combined models that were better able to explain the reduction in the perception of export barriers, the technique of stepwise regression was adopted. All of the experiential knowledge and entrepreneurial input model variables that were correlated at the 95% level with the individual barriers were stepwise regressed against the individual barriers to produce new models. The results are shown in table 5. It was then possible to compare the  $R^2$  statistics from the experiential knowledge models and the entrepreneurial input models alongside the new combined models developed from stepwise regression. The results are shown in table 6. The combined models accounted for a greater percentage of the variance in thirteen of the eighteen barriers (small to medium effect). The variance accounted for in the remaining five models was not increased beyond that of the highest single non-combined model.

The next chapter will consider and discuss the results of the statistical analysis in detail. The results will be analysed and the research questions, hypotheses and the research objectives will be addressed. Finally, the findings will be considered in terms of policy formulation.

# Chapter Eight – Discussion

## 8.1 Introduction

This section begins with a review of the research objectives, research questions and the hypotheses developed for testing. This is followed by a discussion of the results in relation to the research questions and hypotheses. The findings are then discussed in relation to previous work in this area including research in the field of internationalization and entrepreneurship. Finally, the practical and policy implications for the development of SME exporters from the Chinese province of Ningxia will be considered.

## 8.2 Review of the Research Objectives, Questions and Hypotheses

The research objectives, questions and hypotheses will now be considered in relation to the research findings.

### Research Objectives

- To investigate the association between the variables contained within the experiential knowledge and entrepreneurial input models, and the perception of difficulty in overcoming selected barriers to direct export.
- To determine whether the experiential knowledge model or the entrepreneurial input model has the best explanatory power in the reduction of the perception of the selected individual export barriers to direct export.
- To develop combined models based on the variables from within the experiential knowledge and entrepreneurial input models that have a greater explanatory power in the reduction of the perception of the selected individual direct export barriers.

### Research Questions

- Do the variables contained within the experiential knowledge model exhibit a negative relationship with the selected individual barriers to direct export?

- Do the variables contained within the entrepreneurial input model exhibit a negative relationship with the selected individual barriers to direct export?
- Does the experiential knowledge model or the entrepreneurial input model have the greater explanatory power in a reduction in the perception of difficulty of individual selected barriers to direct export?
- Can combined models constructed from the variables within the experiential knowledge and entrepreneurial input model models, have a greater explanatory power in the reduction of the perception of difficulty of individual direct export barriers than the individual models alone?
- Which variable from within the combined experiential knowledge and entrepreneurial input models has the biggest contribution in the explanatory power in the reduction of the perception of difficulty of the greatest number of individual selected barriers to direct export?

### **Hypotheses**

The hypotheses to be tested in this research are outlined below.

- All the statistically significant correlations between the independent variables contained within the experiential knowledge model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.
- All the statistically significant correlations between the independent variables contained within the entrepreneurial input model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.
- The experiential knowledge model has the greatest explanatory power in a reduction in the perception of difficulty in overcoming the barriers to direct export, when compared with the entrepreneurial input model.
- The entrepreneurial input model has the greatest explanatory power in a reduction in the perception of difficulty in overcoming the barriers to direct export, when compared with the experiential knowledge model.

## **8.3 The Relationship between the Variables from within the Experiential Knowledge Model and the Entrepreneurial Input Model and the Selected Barriers to Export**

This section will seek to answer the first two research questions and the first two hypotheses. In order to do this, this section will consider the results of the correlation testing between the variables contained within the experiential knowledge and the entrepreneurial input models respectively, and the selected individual barriers to direct export.

The first two research questions are;

- Do the variables contained within the experiential knowledge model exhibit a negative relationship with the selected individual barriers to direct export?
- Do the variables contained within the entrepreneurial input model exhibit a negative relationship with the selected individual barriers to direct export?

These research questions will be answered by the determination of negative relationships within the correlations.

The first two hypotheses are;

- All the statistically significant correlations between the independent variables contained within the experiential knowledge model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.
- All the statistically significant correlations between the independent variables contained within the entrepreneurial input model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.

These hypotheses will be answered by the determination of all the statistically significant correlations demonstrating negative relationships between the variables contained within experiential knowledge and entrepreneurial input models respectively, and the selected individual barriers to direct export.

### **8.3.1 The Relationship between the Variables within the Experiential Knowledge Models and the Selected Barriers to Export**

The PTI model describes how an enterprise gradually accumulates and integrates knowledge and resources over a period of time. It is this increase in resources and the experiential knowledge base that increases the ability to develop and internationalize. Experiential knowledge begins at a low (local) level and increases over time, through business interaction and involvement (Eriksson et al., 1997; Johanson and Vahlne, 1977). It can be argued that as experiential knowledge increases then the perception of difficulty in overcoming barriers should be reduced, if the ability to internationalize is increased. It is this assumption that the first research question attempts to answer. Do the variables in the experiential knowledge model, developed from the PTI model, exhibit a negative relationship with the perceived difficulty in overcoming the selected barriers to export? In other words, is an increase in experiential knowledge associated with a decrease in the perception of difficulty in overcoming export barriers?

The second stage of the data analysis was a check for correlation using Spearman’s rho. The three experiential knowledge variables were tested against the eighteen selected barriers to export. The full results are shown in the results section. A summary table of the correlation results are shown below in table 6.

**Table 6: Summary of the Relationship between the Variables within the Experiential Knowledge Models and the Selected Barriers to Export**

<b>Negative Correlation Significant at 0.01 Level (One Tailed)</b>	<b>Negative Correlation Significant at 0.05 Level (One Tailed)</b>	<b>Negative Correlation but not Significant at 0.05 Level (One Tailed)</b>	<b>Positive Correlation but not Significant at 0.05 Level (One Tailed)</b>	<b>Positive Correlation Significant at 0.05 Level (One Tailed)</b>
<b>36</b>	<b>7</b>	<b>9</b>	<b>2</b>	<b>0</b>

Forty-three of the correlations were negative with a confidence level of at least 95%. In contrast there were no positive correlations at the 95% confidence level. This provided evidence that there was a significant negative relationship between forty-three of the fifty-four relationships tested and the individual selected export barriers (79.6%). This answers the first research question and is in line with expectation from the literature.

In addition, it was found that all the statistically significant correlations (95% level) between the independent variables contained within the experiential knowledge model and the perception of difficulty in overcoming individual selected barriers to direct export, demonstrate a negative

relationship. There were no significant positive correlations within the data set. This answers the first hypothesis.

In summary, in the case of the variables contained in the experiential knowledge model and the perceived difficulty in overcoming the individual selected barriers to export, the results identified thirty-five negative correlations at a 95% or above confidence level and zero positive correlations at a 95% or above confidence level.

**As a result it is concluded that the first hypothesis was proved to be correct.**

### **8.3.2 The Relationship between the Variables within the Entrepreneurial Input Models and the Selected Barriers to Export**

The INV model describes how an enterprise is able to internationalize through the entrepreneurial input of the decision maker. The focus is on the entrepreneur's individual characteristics and qualities rather than the enterprise itself. The INV model highlights the individual entrepreneurial qualities of the decision maker and greater entrepreneurial input increases or mitigates the ability to internationalize (McDougall and Oviatt, 2000; Naude and Rossouw, 2010; Oviatt and McDougall, 2005b). It can be argued that as entrepreneurial input increases then the perception of difficulty in overcoming barriers should be reduced, if the ability to internationalize is increased. Although this relationship is assumed, it can be expected that if the ability to internationalize in this way is increased by the increase in entrepreneurial input (as predicted by the INV model), then the perception of barriers hindering internationalization should be reduced by an increase in entrepreneurial input. It is this assumption that the second research question attempts to answer. Do the variables in the entrepreneurial input model, developed from the INV model, exhibit a negative relationship with the perceived difficulty in overcoming the selected barriers to export? In other words, is increased entrepreneurial input associated with a reduction in the perception of difficulty in overcoming export barriers?

The three entrepreneurial input variables were tested against the eighteen selected barriers to export for correlation using Spearman's rho. A summary table of the correlation results are shown below in table 7.

**Table 7: Summary of the Relationship between the Variables within the Entrepreneurial Input Models and the Selected Barriers to Export**

<b>Negative Correlation Significant at 0.01 Level (One Tailed)</b>	<b>Negative Correlation Significant at 0.05 Level (One Tailed)</b>	<b>Negative Correlation but not Significant at 0.05 Level (One Tailed)</b>	<b>Positive Correlation but not Significant at 0.05 Level (One Tailed)</b>	<b>Positive Correlation Significant at 0.05 Level (One Tailed)</b>
<b>33</b>	<b>7</b>	<b>13</b>	<b>1</b>	<b>0</b>

Forty of the correlations were negative with a confidence level of at least 95%. In contrast there were no positive correlations that were significant at the 95% level. This provided evidence that there was a significant negative relationship between forty of the fifty-four relationships tested and the individual selected export barriers (74.1%). This answers the second research question.

In addition, it was found that all the statistically significant correlations (95% level) between the independent variables contained within the entrepreneurial input model and the perception of difficulty in overcoming individual selected barriers to direct export, demonstrate a negative relationship.

In summary, in the case of the variables contained in the entrepreneurial input model and the perceived difficulty in overcoming the individual selected barriers to export, the results identified forty negative correlations at a 95% or above confidence level and zero positive correlations at a 95% or above confidence level.

**As a result it is concluded that the second hypothesis was proved to be correct.**

## **8.4 Discussion of the Relative Explanatory Capability of the Experiential Knowledge and Entrepreneurial Input Models**

This section will seek to answer the third and fourth hypotheses and the third research question.

The research question asks:

- Does the experiential knowledge model or the entrepreneurial input model have the greater explanatory power in a reduction in the perception of difficulty of individual selected barriers to direct export?

This is based on the question as to whether the experiential knowledge model or the entrepreneurial input model can better explain the reduction in the perception of difficulty in overcoming the selected barriers to direct export.

The third and fourth hypotheses are:

- The experiential knowledge model has the greatest explanatory power in a reduction in the perception of difficulty in overcoming the barriers to direct export, when compared with the entrepreneurial input model.
- The entrepreneurial input model has the greatest explanatory power in a reduction in the perception of difficulty in overcoming the barriers to direct export, when compared with the experiential knowledge model.

These hypotheses are based on which model has the most universal explanatory power i.e. the greatest explanatory power in the greatest number of cases. The relative explanatory capability of the two models will be considered by a comparison of the adjusted R<sup>2</sup> statistics produced by the models for each individual barrier to export. A summary of the adjusted R<sup>2</sup> statistic for the two models are shown in table 8 below.

**Table 8: Summary of the Relative Explanatory Capability of the Experiential Knowledge and Entrepreneurial Input Models**

<b>Barrier</b>	<b>Variance explained by the Experiential Knowledge Model (PTI)</b>	<b>Variance explained by the Entrepreneurial Input Model (INV)</b>
<b>1. Cost of Expansion</b>	30.3%	55.5%
<b>2. Raising Finance</b>	19.4%	18.7%
<b>3. Identification of New Markets</b>	5.8%	47.1%
<b>4. Information to Analyse Markets</b>	44.9%	28.5%
<b>5. Unfamiliar Documents &amp; Procedures</b>	17.3%	25.4%
<b>6. Expanding without Networks</b>	27.8%	43.1%
<b>7. Distribution Channels</b>	54.4%	25.6%
<b>8. Finding Local Representation</b>	24.7%	11.1%
<b>9. Foreign Customer Attitudes</b>	50.3%	45%
<b>10. Language Differences</b>	43.3%	25%
<b>11. Foreign Rules and Regulations</b>	48.2%	27.7%
<b>12. Tariff Barriers</b>	11.2%	6.4%
<b>13. Foreign Business Practices</b>	40.6%	19.6%
<b>14. Physical Distance</b>	45.3%	37.3%
<b>15. Expansion Undermining Base Operation</b>	30.7%	40.3%
<b>16. Foreign Exchange Risk</b>	23.4%	16.3%

<b>17. Competing with Local Competition in Foreign Markets</b>	32.3%	41.1%
<b>18. Matching Competitors Prices in Foreign Markets</b>	29.3%	24.8%

Overall, the experiential knowledge model based on the age of the enterprise, the years of international involvement and export intensity, better explains the reduction in the perception of the following barriers:

- Obtaining and understanding information to analyse markets
- The ability to develop distribution channels
- Finding reliable local representation
- Foreign customer attitudes
- Language differences
- Foreign rules and regulations
- Foreign business practices
- Physical distance
- Foreign exchange risk
- Matching competitors' prices in foreign markets

The experiential knowledge model approach takes advantage of increased commitment to export (export intensity), the length of time undertaking exports and the age of the enterprise to help overcome these barriers and obstacles. The results above provide evidence to support the expectations from within the Uppsala PTI model that a reduction in the perception of the above barriers is associated with an increase in experiential knowledge. Many of these barriers are related to the concept of psychic distance, and the gradual accumulation of experiential knowledge can help to reduce the perception of difficulty of these barriers through increased confidence that the barriers can be surmounted.

The entrepreneurial input model, based on education, proactiveness and attitude to risk, better explains the reduction in perception of the following barriers:

- Identification of new markets
- The financial cost involved in expansion
- Unfamiliar documents and procedures
- The ability to expand without networks
- The expansion undermining the base operation

- Competing with local competition in foreign markets

The entrepreneurial input model takes advantage of increased attitude towards risk, increased proactiveness and a higher level of education to help overcome these barriers and obstacles. The INV theory was developed in order to explain the rapid international expansion of enterprises from an early stage of their development and growth. According to the INV theory, this requires specific qualities and attributes, including an increased attitude to risk, and specific knowledge and capabilities. These, so called, entrepreneurial skills are necessary in order to bring about early internationalization by identifying opportunities and leveraging the cross border resources required. The results above provide evidence to support the expectations from within the INV model. A reduction in the perception of difficulty in the identification of new markets barrier; the attitude towards the cost of development barrier; the ability to handle unfamiliar documents and procedures barrier; the ability to expand without long established contacts and networks barrier; the attitude towards the risk of expansion undermining the base operation barrier; the risk of being able to compete with local competition in foreign markets barrier, are all associated with an increase in entrepreneurial input.

The best explanation of the reduction in the perception of the difficulty of raising finance barrier, in order to undertake export, was similar in both the entrepreneurial input and experiential knowledge models, although the experiential knowledge model appeared marginally stronger. The two models both accounted for approximately 20% of this barrier's variance, and this relatively low figure may be due to the fact that other factors or variables may play a more significant role.

A reduction in the perception of tariff barriers could not be adequately explained by either of the two models, which suggested that either the perception of this barrier could not be reduced, or if it could, then different individual/organizational attributes are required.

The explanatory capability of the model based on the experiential knowledge variables was greater in twelve of the eighteen selected individual barriers, although the model could only explain 11.2% of the variance in the reduction in the perception of difficulty of overcoming tariff barriers. The explanatory capability of the model based on the entrepreneurial input variables was greater in six of the eighteen selected export barriers. In this respect the experiential knowledge model has the greater explanatory power in this particular research study undertaken in the Chinese province of Ningxia. This answers the third research question.

It is now possible to consider the third and fourth hypotheses in the light of the above results.

The results indicate that of the eighteen barriers selected for this research, the reduction in the perception of the individual barriers was best explained by the experiential knowledge model in twelve cases, whilst the perception in the reduction of the individual barriers was best explained by the entrepreneurial input model in six cases. This answers the third research question which asked which of the two models best explained the reduction in the perception of difficulty of individual selected barriers to direct export. The experiential knowledge model has the most universal explanatory power i.e. the greatest explanatory power in the greatest number of cases.

**As a result the third hypothesis is proven with the experiential knowledge model better explaining the reduction in the perception of difficulty for twelve of the selected barriers to export.**

**The fourth hypothesis is disproved with the entrepreneurial input model better explaining the reduction in the perception of difficulty for six of the selected barriers to export.**

## **8.5 Discussion of the Combined Constructed Models**

This section seeks to answer the fourth research question;

- Can combined models constructed from the variables within the experiential knowledge and entrepreneurial input model models, have a greater explanatory power in the reduction of the perception of difficulty of individual direct export barriers than the individual models alone?

This research question asks whether combined models constructed from the experiential knowledge and entrepreneurial input model variables can better explain the reduction in the perception of difficulty in individual direct export barriers than the individual models alone. In order to do this, new models were created from the variables contained within the experiential knowledge and entrepreneurial input models respectively, using Stepwise Regression. The variances in the reduction in the perception of difficulty explained by the new models were then compared with those of the two individual models in order to ascertain whether the combined models had a greater explanatory power than the two individual models.

**Table 9: Comparison of the Accumulative Variance Explained by the Combined Models Compared with the Variance Explained by the Experiential Knowledge and Entrepreneurial Input Models**

<b>Barrier</b>	<b>Variance explained by the Experiential Knowledge Model (PTI)</b>	<b>Variance explained by the Entrepreneurial Input Model (INV)</b>	<b>Variables Selected using Stepwise Regression to create the combined models</b>	<b>Variance explained by the constructed combined model</b>
<b>Cost of Expansion</b>	.303	.555	Attitude to Risk	.555
			Years of International Involvement	.625
<b>Raising Finance</b>	.194	.187	Attitude to Risk	.187
			Export Intensity	.246
<b>Identification of New Markets</b>	.058	.471	Education	.418
			Attitude to Risk	.471
<b>Information to Analyse Markets</b>	.449	.285	Export Intensity	.431
			Proactiveness	.490
<b>Unfamiliar Documents &amp; Procedures</b>	.173	.254	Education	.254
			Export Intensity	.307
<b>Expanding without Networks</b>	.278	.431	Proactiveness	.409
			Export Intensity	.485
<b>Distribution Channels</b>	.544	.256	Export Intensity	.539
			Proactiveness	.558
			Attitude to Risk	.575
<b>Finding Local Representation</b>	.247	.111	Export Intensity	.247
<b>Foreign Customer Attitudes</b>	.503	.450	Export Intensity	.488
			Attitude to Risk	.550
			Proactiveness	.564
<b>Language Differences</b>	.433	.250	Export Intensity	.354
			Years of International Involvement	.433
			Attitude to Risk	.453
			Export Intensity	.436
<b>Foreign Rules and Regulations</b>	.482	.277	Years of International Involvement	.482

<b>Tariff Barriers</b>	.112	.064	Export Intensity	.112
<b>Foreign Business Practices</b>	.406	.196	Export Intensity	.364
			Age of Company	.406
<b>Physical Distance</b>	.453	.373	Export Intensity	.412
			Proactiveness	.532
			Years of International Involvement	.554
<b>Expansion Undermining Base Operation</b>	.307	.403	Attitude to Risk	.368
			Export Intensity	.466
<b>Foreign Exchange Risk</b>	.234	.163	Years of International Involvement	.233
			Proactiveness	.281
<b>Competing with Local Competition in Foreign Markets</b>	.323	.411	Attitude to Risk	.399
			Years of International Involvement	.496
<b>Matching Competitors Prices in Foreign Markets</b>	.293	.248	Years of International Involvement	.293
			Attitude to Risk	.405

Based on the results shown in the table above (table 9) it is now possible to answer the fourth research question. Of the eighteen barriers, the combined models better explained the variance in the reduction in perception of the barriers in thirteen cases and were not able to better explain in five cases. This research concludes that combined models using variables from the experiential knowledge and entrepreneurial input models can better explain the reduction in the perception of thirteen out of eighteen of the selected barriers to export. This answers the fourth research question.

These improvements can be considered to be of small to medium importance, based on the guidelines put forward by Cohen (1988) and discussed earlier. Based on the models and the barriers that were tested in this research, the following conclusions can be reached: The results would suggest that the decision maker's perceptions of the barriers can be reduced by a combination of

experiential knowledge (PTI) and entrepreneurial input (INV) variables for many of the barriers. For some barriers however, the reduction in the perception of the barrier was associated with variables from one model exclusively, and the addition of variables from the other model made little or no difference. This was the case for the identification of new markets, which in the combined model was only associated with the three entrepreneurial input model variables adopted. Similarly, there were four barriers that were only associated with experiential knowledge variables in the combined models, which included finding reliable local representation, understanding foreign rules and regulations, and understanding foreign business practices. This was also the case for overcoming tariff barriers but the combined model only accounted for 11.2% of the variance of the perception of difficulty of the barrier.

It is worth pointing out at this point that all of these models are purely theoretical constructs, and in practice, decision makers will utilize whatever combination of skills and attributes that they possess in order to overcome the barriers and obstacles to internationalization. In this respect, the combined constructed models are more representative of the actual mix of skills and characteristics available in real life situations. These models help to highlight the skills and attributes that have been found in this research to have been most influential in explaining the reduction in the perception of the selected barriers. This approach is useful as it can help to confirm best policy practice.

## **8.6 Discussion of the Relative Variable Contribution within the Constructed Combined Models**

This section seeks to answer the fifth research question which asks,

- Which variable from within the combined experiential knowledge and entrepreneurial input models has the biggest contribution in the explanatory power in the reduction of the perception of difficulty of the greatest number of individual selected barriers to direct export?

In order to answer this question this research will consider the contribution (beta coefficient) of the variables contained within the combined models.

The table below (table 10) summarizes the largest contributing individual variable in the reduction of the perception of each selected barrier from the strongest model produced in this research, together with the variable's standardized beta coefficient (its contribution to the model). This variable has the greatest contribution or influence within the strongest model. It highlights which of

the variables of those tested are the most important in bringing down the perception of difficulty of each selected individual barrier.

**Table 10: Summary of the Largest Contributing Individual Variable in the Reduction of the Perception of Each Selected Barrier from the Strongest Model Produced in this Research**

<b>Barrier</b>	<b>Largest Variable</b>	<b>Contribution</b>	<b>Standardized Beta coefficient <math>\beta</math></b>	<b>P-Value</b>
<b>1. Cost of Expansion</b>	Attitude to Risk		-.748	.000
<b>2. Raising Finance</b>	Attitude to Risk		-.442	.000
<b>3. Identification of New Markets</b>	Education		-.651	.000
<b>4. Information to Analyse Markets</b>	Export Intensity		-.661	.000
<b>5. Unfamiliar Documents &amp; Procedures</b>	Education		-.512	.000
<b>6. Expanding without Networks</b>	Proactiveness		-.644	.000
<b>7. Distribution Channels</b>	Export Intensity		-.738	.000
<b>8. Finding Local Representation</b>	Export Intensity		-.505	.000
<b>9. Foreign Customer Attitudes</b>	Export Intensity		-.702	.000
<b>10. Language Differences</b>	Export Intensity		-.601	.002
<b>11. Foreign Rules and Regulations</b>	Export Intensity		-.665	.000
<b>12. Tariff Barriers</b>	Export Intensity		-.349	.000
<b>13. Foreign Business Practices</b>	Export Intensity		-.609	.000
<b>14. Physical Distance</b>	Export Intensity		-.646	.000
<b>15. Expansion Undermining Base Operation</b>	Attitude to Risk		-.612	.000
<b>16. Foreign Exchange Risk</b>	Years of International Involvement		-.491	.000
<b>17. Competing with Local Competition in Foreign Markets</b>	Attitude to Risk		-.637	.000
<b>18. Matching Competitors Prices in Foreign Markets</b>	Years of International Involvement		-.548	.000

The most frequently appearing variable in the table above is the 'export intensity' variable derived from the experiential knowledge model. This offers the greatest contribution in the explanation for the reduction in the perception of nine of the selected barriers. This suggests that it is the commitment to export, rather than the 'age of the enterprise' or the 'years of international

involvement' within the experiential knowledge model, which is the key to a reduction in the perception of these barriers. The barriers which are affected in this way include:

- Obtaining and analysing market information
- The development of distribution channels
- The difficulty of finding reliable local representation
- The difficulty overcoming different customer attitudes
- The difficulty overcoming foreign language differences
- The difficulty overcoming foreign rules and regulations
- Tariff barriers
- The difficulty in understanding the different ways in which business is conducted (foreign business practices)
- Overcoming the barrier of physical distance

Many of these have been considered under the general heading of 'psychic distance' barriers. The PTI model explains how these barriers are gradually overcome through the build-up and assimilation of experiential knowledge, which eventually allows enterprises to overcome larger barriers and internationalize further afield into more distant locations and cultures. This work suggests that it is the increased commitment to foreign markets (export intensity) that is the main influence in this respect. The 'age of the enterprise' and the 'number of years spent undertaking (some) international export' seem to be less influential. The 'tariff barrier' is not a psychic distance barrier but the knowledge and understanding of dealing with such barriers appears to be linked with the repeated and intense learning that comes from high 'export intensity' and the commitment to foreign markets.

The experiential knowledge variable, the 'years of international involvement', is the largest contributing variable in a further two barriers to export.

- The foreign exchange risk
- Matching competitors' prices in foreign markets

The number of years of international involvement may well provide greater experience and knowledge of dealing with the potential risks involved with foreign exchange transactions. The number of years of international involvement may include a wider involvement with international markets than is necessarily the case with intensity of export, and it may be that the experiential

knowledge gained through this gradual accumulation of knowledge plays a significant part in the reduction in the perception of this barrier. The 'years of international involvement' was also associated with the reduction in the perception of difficulty of 'matching competitors' prices in foreign markets' barrier. Once again, this may be explained by the increase of experiential knowledge brought about over a period of time spent in international operations. Experiential knowledge can include the economies of scale brought about through an accumulation of experience.

The 'attitude to risk' variable is the second most frequently appearing variable and is derived from the entrepreneurial input model. The barriers which are affected in this way include:

- The financial cost of export expansion
- Raising the finance required for export expansion
- Overcoming the concerns that export expansion would put at risk the base operation
- Competing with local competition in foreign markets

For these barriers, the 'attitude to risk' variable is responsible for the greatest contribution within the best explaining combined model. This may reflect the character of the entrepreneur who may see financial cost, the difficulty in raising the required finance, the risk of undermining the base operation and competing with local competition in foreign markets, as less problematic than someone who is less entrepreneurial in nature. Entrepreneurial risk is not taking unbridled risks but instead it involves calculated risks (Davis et al., 1991) and a judgement of benefits to risk ratio. Nevertheless, this research suggests that a more relaxed attitude towards risk is associated with a reduction in these barriers.

The 'education' variable is responsible for the greatest contribution within the best explaining combined models for two of the selected export barriers. These are;

- The identification of new markets
- Overcoming unfamiliar documents and procedures

This is an interesting research finding and underlines the importance that education plays in the internationalization process. As discussed earlier, there has been considerable research in and around the part that education plays in the role of the entrepreneur. Researchers have investigated the number of years of education undertaken, levels of education, business and entrepreneurial

education and workplace education, including family businesses. Several researchers have highlighted the link between business and entrepreneurial education and entrepreneurial proclivity and orientation (Gibson et al., 2011; Gibson and Gibson, 2010; Robinson et al., 1991). This study has looked at the level of education attained, and has identified an association between the decision maker's level of education and a reduction in the perception of two barriers to export. The identification of new markets is essential to the process of internationalization and is often considered a fundamental element of the entrepreneurial process, and an attribute of the entrepreneur. The other barrier most affected by the 'education' variable was the unfamiliar documents and procedures barrier. This barrier can not only be a deterrent in itself, both in difficulty and the management time involved, but can also create problems through delays in cash flow. The importance of education is perhaps understandable and is again perhaps one of the qualities that an entrepreneurial decision maker can bring to bear when entering new markets and different settings.

The 'proactiveness' variable is responsible for the greatest contribution within the best explaining combined models for one of the selected export barriers. This is;

- Expanding without personal and business contacts (networks)

This variable from the entrepreneurial input model highlights one of the roles that the entrepreneur is able to play. Whilst the PTI model describes a gradual build-up of resources and experiential knowledge, and the gradual development of networks and distribution channels, the INV model describes a more rapid development and leveraging of resources and opportunities. The entrepreneur may not have the kind of developed personal and business contacts that are built up over a period of time but instead relies on their ability to leverage and create opportunities that have been identified in the market. Proactiveness in this respect may offer an advantage in developing the personal networks that are required to be successful in business, over a much shorter period of time.

From the discussion above and the statistics in table 11, it is now possible to answer the fourth research question. The most widespread variable within the combined models that has the biggest contribution to the explanation in the reduction of the perception of difficulty of the individual selected barriers to direct export, is the export intensity variable. This variable had the biggest contribution in the explanation of the reduction in the perception of difficulty of nine of the eighteen selected export barriers. This answers the fifth research question.

Having considered the contributions of the variables in the combined models that best explain the reduction in the perception of the individual selected barriers to export, the next section will focus on the individual experiential knowledge and entrepreneurial input variables adopted for this research, and their contributory influences within the models.

## **8.7 Analysis of the Experiential Knowledge and Entrepreneurial Input Variables within the Combined Models**

### **Experiential Knowledge Variables**

#### **8.7.1 Age of the Enterprise**

The 'age of the enterprise' variable was found not to be the most influential variable in explaining the reduction in perception of difficulty of any of the selected export barriers. It had a secondary role in 'understanding foreign business practices'. This result may reflect the rapid changes that have taken place in China within the social, business and legal frameworks over the last decade and the fact that many SMEs have been established relatively recently. This may be particularly true in a province that is relatively less developed and has historically been involved in relatively low levels of export compared with the more developed regions of China. As a result, older businesses may not have accumulated the knowledge or indeed have the mind-set that leads to international export development. This may make it more difficult for older businesses to meet the new demands and expectations of a rapidly developing business and consumer environment. Enterprises can end up locked out of certain types of knowledge (Cohen and Levinthal, 1990). Furthermore, older enterprises can become more conservative, lose their technological competitiveness and may become more reluctant to use new marketing tools and practices (Moen and Servais, 2002).

The age of the enterprise has a secondary influence (after export intensity) on explaining the reduction in the perception of the 'foreign business practices' barrier. This could be explained by the assumption that the longer an enterprise is established, the more likely it will have had some foreign business contact. In general, foreign business practices tend not to be so dynamic in nature as other barriers, such as foreign rules and regulations, so this may explain why the 'age of the enterprise' has a secondary explanatory power on this barrier.

### **8.7.2 Years of International Involvement**

The number of 'years of international involvement' was the most influential variable in explaining the reduction in the perception of difficulty of two of the selected barriers. These were the 'matching competitors' prices in foreign markets' and the 'foreign exchange risk' barriers. These can be understood in terms of experiential knowledge accumulated through years of international experience. This knowledge can provide economies of experience and the ability to reduce the risks involved with foreign exchange transactions.

The 'years of international involvement' had a secondary role to export intensity in explaining four of the so called psychic barriers. These were the barriers of 'language difference', 'foreign rules and regulations', 'foreign business practices' and 'physical distance'. In addition it had a secondary role to the attitude of risk in reducing the perception of the cost of expansion. The 'years of international involvement' variable also plays a secondary role to the attitude to risk variable in reducing the perception of difficulty to the 'cost of expansion' and the 'competing with local competition in foreign markets' barriers, which may indicate that a higher attitude to risk, together with some years of international involvement, may be the best way of overcoming these barriers.

### **8.7.3 Export Intensity**

According to the PTI, the accumulation of knowledge is based on a gradual and repetitive process. The increase in organizational experiential knowledge leads to increased commitment to international business activities, which then leads to a further increase in experiential knowledge, resulting in further increased commitment (Johanson and Vahlne, 1977). This circular model of increasing knowledge and commitment to foreign markets is driven by an increase in experiential knowledge acquired through a cycle. The accumulation of knowledge can help to reduce the barriers, risk and uncertainty the enterprise faces in internationalizing further afield (Eriksson et al., 1997). Although indirect export can reduce or limit the accumulation of knowledge that can be obtained from the export process, enterprises that undertake indirect export will nevertheless benefit from a gradual accumulation of experiential knowledge. This knowledge will be accumulated through the practical activity of indirect exporting, and contact with the intermediaries, other personal contacts and contacts within the new markets. This will include knowledge of foreign markets, foreign market requirements and foreign market trends and preferences. It would be

expected that an increase in indirect export intensity would result in an increase in experiential knowledge and a reduction in the perception of many of the barriers to direct export.

One of the most significant findings in this research was the explanatory power of the 'export intensity' variable to best help explain the reduction in the perception of nine of the eighteen selected export barriers (and in addition strengthened four other variables).

The experiential knowledge model was found to better explain the reduction in perception of the following barriers:

- Obtaining and understanding information to analyse markets
- The ability to develop distribution channels
- Finding reliable local representation
- Foreign customer attitudes
- Language differences
- Foreign rules and regulations
- Tariff barriers
- Foreign business practices
- Physical distance

In addition the export intensity variable strengthened the explanatory power of the combined models for the following barriers;

- Raising finance
- Unfamiliar documents and procedures
- Expanding without networks
- Expansion undermining base operation

Eight of the nine export barriers can be considered in terms of psychic distance, including 'foreign customer attitudes', 'foreign rules and regulations', 'foreign business practices' and 'language differences', and this research confirms the importance of experiential knowledge in these areas. The explanatory power of the 'export intensity' variable is significant because it highlights the importance of commitment to the export market, as opposed to simply having some limited involvement in international export. This might suggest that encouraging enterprises to simply take part in export may not reduce the perceptions of the barriers involved, which in turn may result in a

negative outlook towards export and eventual withdrawal from the export market. Jansson, Soderman and Zhou (2008) have argued that internationalizing SMEs frequently fail to flourish in foreign markets and fail to continue to develop despite exporting into international markets. This research suggests that the reductions in the perceptions of these selected barriers are associated with increasing intensity and commitment to the export market. This is in line with the PTI expectations, which predicts that these barriers to export are overcome through the augmentation of experiential learning into the organizational knowledge base. This results in further increased commitment and development with reduced risk. This process is then repeated in a cyclical fashion (Johanson and Vahlne, 1990). This raises a number of important policy issues, including how best to ensure that enterprises develop export intensity to a critical level to ensure their sustainability. Although, experiential knowledge is the variable that best explains the reduction in the perception of tariff barriers, it only accounts for 11.2% of the variance of this barrier.

Overall, it would appear from this research, that the 'years of international involvement' play a secondary role to 'export intensity' in offering the best explanation for the reduction in the perception of the selected barriers. In other words, taking part in some international activity helps reduce some barriers but the commitment to export, as measured by export intensity, has the greatest explanatory power for a larger number of the individual barriers that were selected in this research.

## **Entrepreneurial Input Variables**

### **8.7.4 Education**

The INV theory focuses on the individual qualities of the entrepreneur rather than the organization. The knowledge that is used within the INV framework is not the gradual accumulation of experiential knowledge described in the PTI framework but is instead the knowledge that is bestowed on the enterprise by the entrepreneur (Autio, 2005). Education is arguably one of the most important initial resource endowments in the entrepreneur's human capital (Shrader and Siegel, 2007; Wright et al., 2007). Education enhances an individual's cognitive ability, enabling them to better recognise or identify opportunities when they present themselves (De Tienne and Chandler, 2004; Parker, 2006). It has been argued that opportunities are identified by entrepreneurs when they identify a match between the world that they observe and their own unique skills, capabilities and social capital (Eckhardt and Shane, 2003; Shane, 2000). This process places demands on the entrepreneur's cognitive abilities. The identification of opportunities is a key element of entrepreneurship (Schwartz et al., 2005). Education, along with previous experience, can also impact on the vision of the

enterprise's founder/decision makers (Zucchella et al., 2007). Alon and Lerner (2008) concluded that an individual's education and skills had a positive and significant effect on the decision to export in their study of Chinese international entrepreneurship. Previously, Nakos et al. (1998) had concluded that the personal characteristics of the decision maker, including educational level, foreign language knowledge, residence in foreign countries and commitment to international ventures, can all have a strong influence on the export performance of an enterprise.

A significant finding in this research was the explanatory power of the education variable to best explain the reduction in the perception of two key selected barriers to export. These were the 'identification of new markets' barrier and the 'unfamiliar documents and procedures' barrier. Despite the conflicting research evidence for the importance of education in the role of the entrepreneur and entrepreneurial attitudes (Gibson et al., 2011, Lu and Tao 2008), this research has highlighted two key areas where education has played a major part in explaining the reduction in the perception of difficulty. The identification of new markets and opportunities is a key stage at the start of the internationalization process and a key part of the role of the entrepreneur. Education offered the best explanatory power for reducing the perception of this barrier. This finding offers support to the suggestion that education is important in enhancing the cognitive ability of the individual, enabling them to better recognise opportunities when they present themselves (De Tienne and Chandler, 2004; Parker, 2006). It also highlights this particular aspect of the entrepreneur's make-up in the identification of new opportunities.

The education variable was also able to best explain the reduction in the perception of the 'unfamiliar documents and procedures' barrier. This latter finding was strengthened by an increase in export intensity, which suggests that the unfamiliar documents and procedures barrier is also affected by the experiential knowledge gained through 'durable and repetitive interactions' with overseas markets (Eriksson et al., 1997).

These findings offer support for higher educational standards policies as a way to promote enterprise development.

### **8.7.5 Proactiveness**

International entrepreneurship was defined by McDougall and Oviatt (2000, p.903) as "A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations". These three dimensions have been adopted in many

earlier studies as measures of entrepreneurship, including Covin and Slevin (1989), Lumpkin and Dess (1996) and Miller (1983). Lumpkin and Dess (1996) argue that proactiveness is reflected in the ability to engage in opportunistic expansion by sizing up market opportunities in the process of new market entry. This necessitates understanding the customer and their needs, the competitors, and the environment in which the enterprise operates. The recognition of opportunities is a key element of entrepreneurship (Schwartz et al., 2005) and the active monitoring and identification of opportunities in the market is part of this. The reduction in the perception of the 'identification of new markets' barrier in this research was best explained however, by the level of 'education' variable, which was further strengthened by the 'attitude to risk' variable. This may be explained by the level and range of educational attainment in the Chinese province of Ningxia, which may amplify and increase the significance of the effect of the 'education' variable.

The proactiveness variable had the greatest explanatory power in best explaining the reduction in perception towards the 'expanding without networks' barrier. This was discussed in some detail earlier, but reflects the way in which the proactive nature of the entrepreneur can help to overcome a lack of previously established networks built up over time, by proactively leveraging or tapping into the resources they require when they need them. This highlights the use of networks at a personal level through which the entrepreneur can choose and manage the network to which they belong (Larson, 1992; Oviatt and McDougall, 1994). This is in contrast to the PTI in which networks are viewed at an organizational level (Forsgren and Johanson, 1992; Johanson and Mattsson, 1988; Johanson and Vahlne, 1993). In this case, proactiveness can be considered to be the opposite of reactivity, where the focus is on implementation and making things happen using whatever means are necessary (Davis et al., 1991).

The proactiveness variable strengthens the explanatory power of the export intensity variable in helping to explain the reduction in the perception of the 'physical distance' barrier and also strengthens the 'years of international involvement' variable in helping to explain the reduction in the perception of the 'foreign exchange' barrier. Again, these findings probably reflect the willingness of the entrepreneur to invest knowledge, time and energy to overcome the distance barrier and actively reduce foreign exchange risk in order to ensure successful implementations using whatever means are necessary.

### **8.7.6 Attitude to Risk**

The risk-taking dimension can be regarded as the extent to which an enterprise is prepared to undertake significant and risky resource commitments in the market (Miller and Friesen, 1978). As Davis et al. (1991) points out, these are moderate and calculated decisions rather than extreme risks. Entrepreneurship does not entail reckless risk taking, but instead, a reasonable awareness of the risks that are involved and an attempt to manage those risks.

The 'attitude to risk' variable had the greatest explanatory power in best explaining the reduction of the perception towards four of the selected export barriers. These were the 'cost of expansion', 'difficulty in raising finance', 'expansion undermining the existing business' and 'competing with local competition' barriers. These barriers are all affected by the personal characteristics of the individual decision maker, and a higher willingness to take risks. An increased attitude towards risk is associated with a reduction in the perception of all of these barriers. Entrepreneurs have often been considered to be more willing to take greater risks in the pursuit of increased profit, although research has not always supported this (Macko and Tyszka, 2009). This research suggests that the reduction in the perception of these four barriers is associated with a greater willingness to take risk in order to maximize potential profit. The 'cost of expansion', the 'difficulty in raising finance', and the investment required to 'compete with local competitors in foreign markets' can all be particularly significant when the availability of capital is restricted or when interest rates are high. This may well be the case for many SMEs in China and only those decision makers who are prepared to accept a higher level of risk may be able to internationalize. However, these are calculated risks and if the calculated risk is too great then the opportunity may be stifled.

The 'expansion undermining the existing business' barrier can also be understood in terms of attitude to risk, with the more entrepreneurial decision maker prepared to take the calculated risks involved in expanding operations further.

Finally, the 'attitude to risk' variable also helped to strengthen the explanation in the reduction in the perception of five of the selected barriers. These included the 'education' variable in the 'identification of new markets' barrier; the 'export intensity' variable in the 'foreign customer attitudes' barrier; the 'years of international involvement' in best explaining the reduction in the perception of the 'matching competitors prices' barrier; 'export intensity' and 'proactiveness' in reducing the perception of difficulty of the 'distribution channels' barrier; and 'export intensity' and 'years of international involvement' in reducing the perception of the 'language differences' barrier.

In the first case, an increased attitude to risk may help to identify new additional opportunities which may not be apparent to those who are less entrepreneurial. In the second case, an increased attitude to risk may help overcome any concerns regarding the 'foreign customer attitudes' barrier. In the third case, an increased 'attitude to risk' may help overcome the concerns of competing with local competition.

Having considered the variables adopted within the experiential knowledge and entrepreneurial input models used in this research, and their influences in the reduction of the perception of the selected barriers to export, the discussion will now turn to the findings of this research in relation to established literature.

## **8.8 Discussion of this Research's Findings in Relation to the Literature**

The Uppsala PTI (Johanson and Vahlne, 1977) and the INV (Oviatt and McDougall, 1994) behavioural theories of internationalization offer alternative descriptions of the path that enterprises take to internationalization. Both the Uppsala PTI and INV theories of internationalization describe how enterprises overcome or mitigate the barriers or obstacles to enable them to internationalize. In the former case, it is through the accumulation of resources and experiential knowledge, and in the latter case it is through the skills and attributes of the entrepreneur (entrepreneurial input). This research developed two individual testable models based on experiential knowledge and entrepreneurial input respectively, which were then used to test against the perceptions of a selection of identified export barriers. The expectations of the two models are that as experiential knowledge and entrepreneurial input increase then the perception of the barriers to internationalization should decrease, which should enable internationalization to take place. This research found evidence that these assumptions were valid. In approximately 79.6% of cases, the experiential knowledge variables were associated with a reduction in the perception of the selected export barriers. Similarly, in approximately 74.5% of cases, the entrepreneurial input variables were associated with a reduction in the perception of the selected export barriers.

Elango and Pattnaik (2007) suggested that the PTI (Uppsala) approach should be particularly suitable for researching emerging market firms still in their early stages of internationalization. However, Chinese firms have often been found only partially to follow the predicted PTI trajectory. Zou and Ghauri (2010), concluded in a case study of high tech ventures, that the gradual model was still valid

although high tech firms tended to internationalize faster than earlier studies had suggested, and did not follow the process suggested by 'born global' studies. Naude and Rossouw (2010) in a study of 3,948 Chinese SMEs, found that 62% of exporting firms began exporting within three years which provided evidence for the INV approach, and as a result, for the internationalization process being an entrepreneurial activity. Liu et al. (2008) found some support for both the Uppsala PTI and INV theories in privately owned Chinese SMEs, but concluded that previously developed theories could only partially explain the internationalization of indigenous privately owned enterprises. Blomstermo and Sharma (2003) criticised the Uppsala PTI as being too simplistic in having only a single construct (experiential knowledge) to explain the internationalization process.

This research found support for the view that the Uppsala PTI and INV theories can both help to explain the reduction in the perception of export barriers. The experiential knowledge model was better able to explain the reduction in the perception of twelve of the selected barriers to export, whilst the entrepreneurial input model was better able to explain the reduction in the perception of six of the eighteen selected barriers to export. These findings can largely be explained within the expectations and assumptions of the Uppsala PTI and INV theories of internationalization.

Whilst this research asked whether the PTI or INV derived models can explain the reduction in the perception of selected barriers to export, it also focuses on the building of combined models. This will help to gain as deep an understanding as possible, as to what concepts and attributes from both the PTI and INV models help to best explain the reduction in the perception of the individual selected barriers to export. Indeed, it has been acknowledged that since internationalization is a complex phenomenon, more than one perspective is needed to understand it (Björkman, 1990; Morgan, 1986). The combination of models acknowledges the fact that a combination of skills and attributes may be more successful in reducing the perception of barriers, which in turn may make internationalization more possible and arguably more likely.

This research found support for this view and found that combined models based on both experiential knowledge and entrepreneurial input variables were able to better explain the reduction in perception of thirteen out of eighteen of the selected barriers to export. In other words, a combination of experiential knowledge and entrepreneurial input variables can help better explain the reduction in perception of many of the barriers to export in this research. In which case, it is a combination of skills and attributes (experiential and entrepreneurial) that help to determine the perception of the individual barriers to export. Whilst these models are theoretical in nature, and in

practice, decision makers use a combination of skills and attributes available to them at any one time, the theoretical models can provide useful insights for policy formulation.

This research has highlighted the importance of 'export intensity' in explaining the reduction in the perception of nine selected barriers to export, compared to the 'number of years of international involvement' which best helps to explain two of the selected barriers to export. This is in contrast to the work of Kneller and Pisu (2011). In a transaction cost approach to the perceptions of UK enterprises towards a selection of export barriers against a range of firm level characteristics, Kneller and Pisu (2011) concluded that the number of years the enterprise had been exporting was the key indicator as to whether it identified a barrier as relevant. Other characteristics including export intensity were less useful in determining whether barriers were relevant.

The age of the enterprise was also included within the experiential knowledge model but was only found to contribute to the reduction in the perception of one selected barrier to export. This may be due to a number of reasons including the fact that many Chinese SMEs included in the study are relatively new; older enterprises can be 'locked out' of new competencies (Cohen and Levinthal, 1990), be too conservative (Moen and Servais, 2002) and don't have the learning advantages of newness (Autio, 2000).

The role that education plays in entrepreneurship has been highlighted by researchers in several fields of research. It has been suggested that an entrepreneur's human capital, based on their education, experience and skills is arguably their most important initial resource endowment (Shrader and Siegel, 2007; Wright et al., 2007), and that education plays an important part in enhancing the entrepreneur's cognitive ability to recognise and identify opportunities (De Tienne and Chandler, 2006; Parker, 2006). The perception of an opportunity is a key element or stepping stone for entrepreneurial action (Corbett, 2005; Schwartz et al., 2005; Shane and Venkataraman, 2000). However, the link between education and entrepreneurial behaviour has been found to be variable under examination. Researchers have considered educational backgrounds from numerous perspectives which have included the length of formal education (Lu and Tao, 2008; Nakos et al., 1998), levels of education (Alon and Lerner, 2008; Keng and Juan, 1988; Kropp et al., 2008) and level of entrepreneurship training and education (Gibson et al., 2011; Levie and Autio, 2008). In this research, education was measured in terms of the level of education that was obtained by the enterprise's main decision maker.

This research found that education best explained a reduction in the perception of difficulty in identifying new markets. This supports the argument that education enhances the entrepreneur's ability to recognise and identify opportunities. The identification of new opportunities and markets are key to the success of the entrepreneur and this was reflected in the findings. In short, greater entrepreneurial input resulted in the identification of new markets being seen as less of an obstacle. This is particularly significant as the identification of new opportunities and markets is one of the first stages in the internationalization thought process for the entrepreneur. Internationalization has been described as an entrepreneurial activity (Knight 2000; Lu and Beamish 2001; O'Casey and Weerawardena, 2009) and the importance of entrepreneurial knowledge and attributes in explaining the reduction in the perception of identifying new market opportunities lends support to this premise. Education was also found to best explain the reduction in the perception of the unfamiliar documents and procedures barrier. Unfamiliar documents and procedures can not only deter the initial set up of the operation but can also result in delays and cash flow problems (Haidari, 1999). This finding highlights the use of the entrepreneur's individual knowledge and attributes to overcome or mitigate these particular barriers.

Entrepreneurs have generally been believed to take more risks than managers (Masters and Meier, 1988) because entrepreneurs bear the ultimate responsibility for the decision (Gasse, 1982). However, research does not always provide conclusive evidence for this claim (Macko and Tyszka, 2009). The entrepreneur's attitude towards risk is an important feature within the INV theory of internationalization and it is particularly explicit within McDougall and Oviatt's (2000, p.903) definition of international entrepreneurship. They define international entrepreneurship as "A combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations". The importance of risk has also been emphasised by numerous researchers including Covin and Slevin (1989), Lumpkin and Dess (1996), Naman and Slevin (1993) and Wiklund (1999). This research adopted the attitude to risk as one of the entrepreneurial input variables. The findings of this research suggest that the attitude to risk is associated with the reduction in perception of four of the selected barriers to export and helps to reduce the perception in a further five selected barriers. Particularly significant is the 'attitude to risk' variable towards the 'cost of expansion', 'expansion undermining the existing business', and 'competing with local competition in foreign markets' barriers.

Similarly, proactiveness was included as a variable within the entrepreneurial input model. Proactiveness implies a 'hands on' management style or approach in order to overcome any barriers

or obstacles (Davis et al., 1991). This research found that the 'proactiveness' variable was responsible for the greatest contribution within the best explaining combined model for the reduction in the perception of the 'expanding without personal and business contacts' barrier. It also helped to explain the reduction in the perception of four other selected barriers to export.

The approach that this research has adopted has brought together key themes from the PTI and INV streams of literature, to test them individually and in combination, in order to measure the impact on the perception of a selection of barriers to direct export. The combined models that have been produced approximate more accurately to the real life situation where decision makers use a range of skills and are influenced by a range of factors and perceptions. This approach has attempted to identify some of the key influences on the perception of difficulty in overcoming a selection of barriers to direct export which in turn can help to inform and direct policy formation.

Attention will now turn to the practical considerations of the findings of this research and then the policy considerations that ensue.

## **8.9 Practical and Policy Considerations of the Findings**

The important role that SMEs play in the Chinese economy has been discussed at length in the literature review section. In short, there were 42 million SMEs in 2007 (4.6 million registered SMEs and 38 million individually owned SMEs), and which accounted for 68% of Chinese exports (Hilgers, 2009; Zhao, 2010). In 2008, SMEs accounted for over 99% of the total number of Chinese enterprises, 58% of China's GDP, 46% of tax income, 62% of China's export value and provided 60% of industrial output (Chen, 2012). Internationalization brings many advantages, not only to the economy, but also plays a key role in entrepreneurship, job creation, fiscal income, technology diffusion, risk diversification, identification and adoption of best international practices and wealth generation (Cardoza, 1997). These benefits not only help to drive the local and national economy but can also, over time, help to develop the economy up the value chain and away from being 'locked' into low end production. This is important because currently China's emphasis is on a low cost export led economy, much of which is focused on processed goods with limited added value (EU, 2008). Most Chinese SMEs have focused their sales on the domestic or global market with little or no leverage on pricing and other negotiating power. These enterprises become trapped in the role of a weak chain member, controlled by the organizations at the head of the chain. As a result, few Chinese SMEs can enter and compete on a global scale (Cao et al., 2011). Furthermore, it has been argued that a significant amount of Chinese exports are not manufactured by indigenous or wholly

owned Chinese enterprises (Naude and Rossouw, 2010), and that foreign content made up to 50% of Chinese exports and that the ratio of foreign content was especially high in the high tech sector (Koopman et al. (2008)). Greater Chinese entrepreneurship and the production of goods further up the value chain are important steps in strengthening the Chinese manufacturing sector and the wider Chinese economy.

Ningxia is one of the least developed provinces in China with only 0.22% of registered businesses being registered there (China Statistical Yearbook, 2011), and a provincial trade share of national total exports of just 0.08% and a GDP per capita of 26,080 RMB (China Statistical Yearbook, 2011). As such, this makes the province of Ningxia an area that would benefit greatly from a deeper understanding of what affects the perceptions of the business decision makers and what policies and actions can most influence those perceptions. It will also highlight the way in which Chinese state policy can positively influence the nature, pace and direction of SME development in the future.

Whilst the setting up and the developing of enterprises results from the creativity, drive and commitment of individuals rather than through government actions, it is true to say that the conditions that enable or constrain the process are effected by the wider social, economic, political and institutional context, upon which the State has a major influence (Smallbone and Welter, 2001). The state can influence SME development in a number of different ways. These include through the macro economy (including interest rates and taxation); targeted government legislation, policies and programmes that provide direct support to overcome size related disadvantages; the development of economic institutions such as business support infrastructure, banks and financial intermediaries; and finally, through the state's influence on the value placed on enterprise and entrepreneurship (Smallbone and Welter, 2001). A classification of support policies for SMEs based on objectives was discussed in the section on SMEs, along with some of the measures that can be taken to achieve them.

The Chinese State has taken a range of such measures over the last decade to encourage the development and internationalization of SMEs. These have included the 'Go Global' policy in 1999; the 'Promotion Law' on SMEs (2003); the issue of 'Several Opinions' by the State Council (2005) on encouraging, supporting and guiding the development of self-employed, private economy and other non-public sectors of the economy; and the State Council approval and establishment of the 'National Leading Group for the Promotion of SMEs' (2007), headed by the Ministry of Industry and Information Technology. More recently the state enshrined its support for SMEs in its 'Growth Plan

for SMEs' in the 12<sup>th</sup> five year plan (2011-2015) (Chen, 2012). Practical assistance to SMEs have included the passing of related laws and regulations providing more financial support, including credit guarantees, accelerating construction of a service system to promote the development of small to medium organizations (MOFCOM, 2008b: MOFCOM, 2008c), an increase in procurements from SMEs, and the granting of one year breaks on tax and social security obligations for SMEs to provide support in a difficult trading environment. In a separate development the difficulty of finding jobs for new graduates within state owned enterprises (SOEs) led the Chinese State to provide the entrepreneurship track for MBA and doctoral students (Lee, Lim, Pathak, Chang and Li, 2006) and the decision to require Chinese universities to provide entrepreneurship courses such as New Venture Creation (Gibson et al., 2011). From this brief review of the action undertaken by the Chinese State to encourage the development and internationalization of SMEs, and the encouragement of entrepreneurship, it is clear that the Chinese state has played a prominent facilitating role within the SME sector to encourage and support development. They have actively used a wide range of measures, as described above, to intervene in order to influence and support the development of SMEs within the economy.

Attention will now turn to a consideration of the results of this research in order to provide a deeper insight as to what policy initiatives might positively influence the nature, pace and direction of SME development within Ningxia in the future.

This research highlights, and sheds light on, a number of aspects that are important within the realm of SME policy development. These will now be considered. Firstly, the absolute age of an enterprise does not appear to play a major role in explaining a reduction in the perception of the barriers studied in this research. Instead, it plays a secondary role in the explanation of the reduction in just one barrier, the perception of foreign business practices. The number of years of international involvement plays a larger part and is the key variable in the explanation of two barriers, foreign exchange risk and matching competitors' prices in foreign markets. Of much greater importance however, is the export intensity variable, which is the key variable for the best explanation of the reduction in the perception of nine variables. As discussed earlier, with respect to the absolute age of the enterprise, new enterprises can benefit from the 'advantages of 'newness', whilst some older enterprises can become locked out of new technologies and remain within a comfort zone based on long established networks. With respect to the number of years spent involved in export, dabbling in foreign markets will bring limited benefits in some areas, but according to the PTI model, it is the gradual accumulation of experiential knowledge gathered through 'durable and repetitive

interactions abroad' which leads to an increased commitment to foreign markets. The increased knowledge that is subsequently acquired leads to further commitment. This research indicates that export intensity is the most effective way of explaining the reduction in the perception of nine of the tested barriers to export. This suggests that policy designed to simply to encourage enterprises to take part in internationalization may not in itself be enough. Wright et al. (2007) argued that INV theorists may have encouraged a growing policy belief that with the right policy and encouragement, more new SMEs can internationalise and do so from the outset. Instead, they suggest that a more gradual internationalization process built around accumulated knowledge and skills may be more appropriate for the majority of SMEs outside the knowledge and technology sectors. This research suggests that policy should be designed to help achieve the levels of commitment (export intensity) over a period of time that are associated with the reduction in the perception of the barriers to even further commitment. Whilst, this may not necessarily guarantee further future development or success, it should help to create an environment where development is perceived as more achievable. This, when taken together with any action that the State can undertake to reduce barriers to export directly, should help to enable enterprises to achieve the best possible outcome.

Education is the variable that best helps to explain the reduction in the perception of two important barriers studied in this research. The first is in the identification of new opportunities or markets. This is often regarded as an entrepreneurial skill or attribute and although not directly part of the INV model or McDougall and Oviatt's definition of entrepreneurship (2000), is often implied or seen as at least, a mediating factor. Indeed, it has been argued that an entrepreneur's human capital, based on their education, experience and skills, is arguably their most important initial resource endowment (Shrader and Siegel 2007, Wright et al. 2007). However, although some researchers have found a positive relationship between education and entrepreneurship, still others have not. In this research, education was measured in terms of the level of academic achievement and an increase in educational attainment was positively associated with an increase in the identification of new opportunities or markets. This relationship might well be expected to be most noticeable in those regions of China that are less developed and where the range of educational standards might be the greatest. This finding suggests that an increase in educational standards and levels of attainment, may well result in this important attribute becoming more widespread. The level of education also best explains the reduction in the perception of overcoming the unfamiliar documentation and procedures barrier. This can easily be understood within the INV framework where the entrepreneur or decision maker is required to utilize their personal attributes, including

knowledge and personal experience, in order to overcome obstacles to achieve their goals. Again, this research highlights the importance of educational attainment to the individual and its value in the role of the entrepreneur. More specifically, this research identifies some of the areas in which education may play an important part. As a result of these considerations, this research supports the view that educational standards should play an integral part of policy development in the province of Ningxia, China.

The attitude to risk variable best explains the reduction in the perception of four of the selected barriers to export. These are the cost of expansion, expansion undermining the base operation, the difficulty in raising finance and competing with local competition in foreign markets barriers. 'Attitude to risk' is one of the most commonly associated attributes of an entrepreneur and together with proactiveness and innovativeness appear in many definitions and studies of entrepreneurship (Covin and Slevin, 1989; Lumpkin and Dess, 1996; McDougall and Oviatt, 2000). However, as discussed earlier, this is not an unbridled risk but a risk measured and calculated against potential gain (Davis et al., 1991). Entrepreneurs often seem willing to take calculated risks and make decisions based on limited amounts of information in their desire to achieve increasingly challenging goals (Denslow and Giunipero, 2003). Furthermore, it has been suggested that entrepreneurs tend to underestimate the potential negative sides whilst overestimating the positive possibilities more than employees are likely to do (Baron, 1998; Simon, Houghton and Aquino, 1999). However, just as an increased attitude to risk is associated with a decreased perception of the barriers to export, it follows that a decreased attitude to risk may well be associated with an increased perception of these barriers to export. As a result, decision makers who are more risk averse will perceive these barriers as higher and perhaps too risky for the potential gains. It follows from this, that either an increase in the calculated attitude to risk by the entrepreneur, perhaps based on business and entrepreneurship training, or a reduction in the size of the barriers through state intervention, perhaps through more readily available and cheaper capital, will have the effect of helping to make the decision to internationalise more likely. These are general considerations and highlight the effect of state intervention by targeting specialist training at potential entrepreneurs and business decision makers, and by intervention at a more macroeconomic level. These findings suggest support for both of these policy interventions.

The proactiveness variable best explains the reduction in the perception of the expansion without networks barrier. Once again, this can be explained by the actions and attributes of the entrepreneur as described in the entrepreneurship literature and the INV model framework. An

increase in proactiveness is associated with a reduction in the perception of this barrier and conversely, a decrease in proactiveness is associated with an increased perception of this barrier. This can be overcome by increasing the proactiveness of decision makers through business and entrepreneurship training, or by active intervention to make the development of networks and contacts easier to achieve. This latter measure can be achieved, for example, through industrial development zones, clusters of related industries, joint ventures and official approved advisory centres for advice about foreign markets. The advantages of clusters and development zones have been highlighted by Liu (2007). The network culture is deeply embedded within the Chinese culture (Jansson, Hilmersson and Sandberg, 2008; Jansson and Ramström, 2005) and exporters within the less developed provinces such as Ningxia may well have less well-developed networks in place. As a result, these considerations may be particularly pertinent in the case of the Ningxia province

In conclusion, the results of this research suggest support for the following policies in the Chinese province of Ningxia.

The continued financial support by the Chinese State to SMEs is essential, not only to the first export experience, but until the SMEs become established in foreign markets. This should help to ensure the long term development of these organizations.

A reduction in the perceived cost of expansion barrier and the difficulty in raising finance barrier are both associated with a greater attitude to risk. This suggests that those organizations that are risk adverse will find it more difficult to overcome these barriers which will tend to stifle development. State support in helping to overcome these barriers should have a positive effect in promoting development. This can come through the availability of loans, low interest rates and offering educational and training support to develop the level of business entrepreneurship.

A continued emphasis on the development of the education system in the province should have a positive effect in a number of key areas. This research has highlighted the identification of new markets and the ability to handle unfamiliar documents and procedures as two key areas where education has a positive influence and helps to reduce these barriers. This research considered the general level of education attained, although it would be reasonable to expect that more specialist business and entrepreneurial training and education would also have a positive impact.

The importance of networks within the Chinese business culture has been highlighted by many researchers and this research has identified the proactive variable as having the biggest contribution in explaining the reduction in the perception of difficulty of the direct export without networks barrier. This has been highlighted as a key entrepreneurial quality by numerous authors including Lumpkin and Dess (1996) and McDougall and Oviatt (2000). However, this may be a particularly difficult barrier for many enterprises to overcome within the Chinese context. The promotion of networks and networking events, trade fairs and the development of industrial clusters will help enterprises to overcome or at least reduce the perception of difficulty of this barrier.

The importance of export intensity in helping to explain the reduction in the perception of nine export barriers highlights the importance of the continued development of enterprises in foreign markets. Higher export intensities are associated with a reduction in the perception of the difficulties of a series of barriers including foreign rules and regulations, foreign business practices, foreign customer attitudes, language differences, physical distance, local representation and obtaining the information to analyse markets. Export intensity is usually only likely to be increased over a period of time and the gradual reduction of these barriers is described by the PTI framework through the gradual accumulation of experiential knowledge. This research supports this expectation and links the experiential knowledge through increased export intensity directly with a reduction in the perception of these barriers. For enterprises at the early stages of internationalization with low export intensities, these barriers might be expected to be perceived as more difficult to overcome. This could possibly lead to the enterprise not developing to its fullest potential or even withdrawing from international markets. SMEs that withdraw or fail in international markets may not only incur financial losses and fail to benefit from the potential of new markets, but may also deter other enterprises from investing in new overseas opportunities. This would suggest that SMEs need some type of encouragement to go beyond the initial stages of internationalization in order to gain the benefits that come with the accumulation of experiential knowledge. This type of encouragement could include tax incentives for export and export development zones.

# Chapter Nine - Conclusions

## 9.1 Introduction

This Chapter begins with an overview of the research and then highlights the conclusions and the contribution of this research to SME internationalization and export barrier literature. The validity, reliability and the generalizability of the findings are then considered. Finally, the limitations of this research are considered and the chapter concludes with proposals for future research.

## 9.2 Research Overview

The internationalization of organizations has been described from a number of different perspectives including that of the behavioural sciences, from which the PTI and INV internationalization models have been developed. The internationalization of SMEs has received greater attention in recent years due to the effects of globalization, improved technology and the increasing global liberalization of markets. The barriers to SME internationalization have been described in the export barrier stream of literature. This research has sought to bring together key themes from within the PTI and INV internationalization models (experiential knowledge and entrepreneurial input, respectively), with the export barrier stream of literature. This will help to provide a deeper understanding and deeper insights into the relationship between key components of the internationalization models and the perception of difficulty in overcoming the barriers to direct export, identified from the export barrier stream of literature. In short, this research has moved beyond the instrumentality of the Uppsala PTI and the INV theories of internationalization and focused on how the variables developed from these internationalization theories, impact upon the mind-set of the enterprises decision maker.

In order to meet the research objectives and answer the research questions and hypotheses the following operations were undertaken.

Two testable models based on experiential knowledge and entrepreneurial input (key themes from within the PTI and INV theories of internationalization, respectively) were developed for this research. In the former case, an experiential knowledge model based on export intensity, age of the enterprise and the time spent undertaking export was developed. In the latter case, an entrepreneurial input model based on proactiveness, attitude to risk and the level of education

attained was developed. These variables were identified from the internationalization and entrepreneurship literature.

Eighteen barriers to SME export that were appropriate to the Chinese context were then identified from the export barrier literature.

A judgement sample of SME managers and decision makers from manufacturing enterprises in the province of Ningxia were then asked to complete a structured self-administered questionnaire regarding their perceptions towards the eighteen identified barriers. In addition, they were asked to provide other background and personal information. A total of 98 valid responses were used for quantitative analysis. The barrier perception data was first tested using data distribution tests to determine whether it was normally distributed. After subjecting the data to the Shapiro Wilk test of normality and calculating the skewness ratio it was concluded that the data was best considered to be non-parametric in nature, however in fifteen of the eighteen cases the data could be considered not to be severely skewed.

The next stage involved correlation testing between the six variables from the experiential knowledge and entrepreneurial models and the perceptions towards the eighteen selected barriers. Statistical significance was set at a 95% confidence level ( $p < 0.05$ ). The Spearman's rho coefficient method was adopted as this was particularly suitable for the non-parametric data which had been collected using a non-probability sampling method; this was confirmed by the Shapiro-Wilk test.

The correlation testing confirmed a negative relationship between the perception of the barriers and the six variables from within the experiential knowledge and entrepreneurial input models in 69 cases at a 99% certainty level (63.9% of cases) which increased to 83 cases at a 95% level (76.8% cases). In addition there were 22 additional cases at a certainty level of less than 95%. There were no positive relationships that were significant at a 95% certainty level.

This provides strong evidence in support of the inferences that when experiential knowledge and entrepreneurial input respectively, are increased, then the perception of difficulty in overcoming the selected export barriers decreases. These relationships are inferred within the PTI and INV theories of internationalization. This allows for the first two research questions and the first two hypotheses to be answered. The conclusions are as follows;

### Research Question 1

Do the variables contained within the experiential knowledge model exhibit a negative relationship with the selected individual barriers to direct export?

- The variables contained within the experiential knowledge model exhibited a negative relationship with the perception of difficulty in overcoming the selected individual barriers to direct export in 79.6% of cases at a 95% level of certainty.

### Research Question 2

Do the variables contained within the entrepreneurial input model exhibit a negative relationship with the selected individual barriers to direct export?

- The variables contained within the entrepreneurial input model exhibited a negative relationship with the perception of difficulty in overcoming the selected individual barriers to direct export in 74.1% of cases at a 95% level of certainty.

### Hypothesis 1

All the statistically significant correlations between the independent variables contained within the experiential knowledge model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.

- All the statistically significant correlations (95% level) between the independent variables contained within the experiential knowledge model, and the perception of difficulty in overcoming individual selected barriers to direct export, demonstrate a negative relationship. This hypothesis was proved to be correct.

### Hypothesis 2

All the statistically significant correlations between the independent variables contained within the entrepreneurial input model and the perception of difficulty in overcoming individual selected barriers to direct export demonstrate a negative relationship.

- All the statistically significant correlations (95% level) between the independent variables contained within the entrepreneurial input model, and the perception of difficulty in overcoming individual selected barriers to direct export, demonstrate a negative relationship. This hypothesis was proved to be correct.

This research focused not just on the instrumentality of the established PTI and INV models but sought to generate evidence of the connection with the mind-set of the enterprise decision makers. In particular, this research sought to generate evidence to prove or refute that an increase in the variables adopted from the PTI and INV models would increase the confidence that barriers to export could be surmounted, through a reduction in the perception of the individual barriers. This research found evidence that a widespread correlation existed between an increase in the variables adopted from the PTI and INV models and a decrease in the perception of the individual barriers to export.

The next stage of the research was to regress firstly, the experiential knowledge model against the individual eighteen selected barriers to export, and then secondly, to regress the entrepreneurial input model against the individual eighteen selected export barriers. Only those variables that were correlated at a 95% level of certainty with each individual barrier were included in the regression analysis. From this analysis it was possible to determine which of the two models had the greatest explanatory power for a reduction in the perception of each individual export barrier.

This allows for the third research question and the second two hypotheses to be answered. The conclusions are as follows:

### Research Question 3

Does the experiential knowledge model or the entrepreneurial input model have the greater explanatory power in a reduction in the perception of difficulty of individual selected barriers to direct export?

- In this research the experiential knowledge model had the best explanatory power for a reduction in the perception of twelve of the selected eighteen barriers to export, compared to the entrepreneurial input model which only had the best explanatory power in a reduction in the perception of difficulty of six of the barriers.

### Hypothesis 3

The experiential knowledge model has the greatest explanatory power for a reduction in the perception of difficulty in overcoming the selected barriers to direct export, when compared with the entrepreneurial input model.

- In this research this hypothesis was proven correct.

#### Hypothesis 4

The entrepreneurial input model has the greatest explanatory power for a reduction in the perception of difficulty in overcoming the selected barriers to direct export, when compared with the experiential knowledge model.

- In this research this hypothesis was proven incorrect.

These particular findings may reflect the relatively early stage of manufacturing development in the Chinese province of Ningxia, when compared to other, more advanced, provinces in the East coastal regions. It has been suggested that enterprises in less developed regions adopt a more gradual internationalization process based on the PTI model and the gradual accumulation of experiential knowledge (Elango and Pattnaik, 2007). In this case, internationalization may take place at a slower, more gradual rate, much of the production being at the commoditized lower end of the value chain and being less technologically advanced. In these cases, inexpensive labour may be the only or the main competitive advantage, and technology and entrepreneurship may be limited or bounded. Bounded entrepreneurship can arise through limited education and management experience, and limited vision. Alternatively, the findings may be influenced by the choice of barriers adopted in this research. The entrepreneurial input model may have the best explanatory power in reducing the perception of other barriers to export which were not selected in this study.

The next stage of the research was to investigate whether it was possible to construct combined models from the variables contained within both the experiential knowledge and entrepreneurial input models, which have better explanatory power in the reduction of the perception of the individual barriers. In order to do this all the variables from within the experiential knowledge and entrepreneurial input models that were correlated with each individual barrier at a 95% certainty level were included in a Stepwise regression against each selected barrier. The Stepwise regression built models that had the best explanatory power in the reduction of the perception of each individual barrier from all the variables included in the two models. These models were then compared with the previously created independent experiential knowledge and entrepreneurial input models. This allows for the final two research questions to be answered. The answers are as follows:

#### Research Question 4

Can combined models constructed from the variables within the experiential knowledge and entrepreneurial input model models, have a greater explanatory power in the reduction of the perception of difficulty of individual direct export barriers than the individual models alone?

- Combined models constructed from the experiential knowledge model and the entrepreneurial input model variables had a greater explanatory power in the reduction of the perception of thirteen of the eighteen of the selected export barriers. These combined models showed a small to medium increase in their ability to explain the amount of variance accounted for.

This reflects the real life situation more accurately, when the decision makers can draw on a range of resources (human capital, personal skills and different types of knowledge) and these overlap both the PTI and INV theories of internationalization. This suggests that neither model is sufficient in order to completely understand the internationalization behaviour of enterprises, but instead the two models can complement each other in increasing the explanatory power in the reduction of the perception of barriers to export. In this respect, the INV model enriches the PTI model in the understanding of the internationalization behaviour of enterprises, through different combinations of attributes and characteristics. At different times, enterprises may adopt different strategies utilizing different combinations of these attributes and characteristics.

#### Research Question 5

Which variable from within the combined experiential knowledge and entrepreneurial input models has the biggest contribution in the explanatory power in the reduction of the perception of difficulty of the greatest number of individual selected barriers to direct export?

- Within this research it was possible to identify the individual variable that contributed most to the explanatory power in the reduction in the perception of each selected barrier. The variable from within the combined models that contributed to the explanatory power of the reduction in the perception of difficulty in the greatest number of individual selected barriers to direct export, was the export intensity variable.

These results suggested a number of policy implications which were discussed in some detail previously. The results highlight the importance of building up sustainable export intensity as a platform for future export expansion and development. Greater export intensity is associated with a lower perception of difficulty for a range of barriers to export. This suggests that enterprises can gain momentum as export intensity increases. On the other hand, a low (or zero) export intensity is associated with a higher perception of difficulty in overcoming certain barriers, which may inhibit further development. Whilst a reduction in the perception of the barriers to direct export may make direct export more likely, it does not necessarily follow that this will result in direct export engagement and development. This will depend on a number of factors which include the specific barriers that are the most restraining and limiting to the individual enterprise. For example, the ability to raise finance may be a barrier that an individual enterprise cannot overcome. Other factors include having a product that can be distributed overseas or having the desire to expand internationally with the associated risks that are involved (He, 2011; Wright et al., 2007). However, it is commonly assumed that reducing barriers will increase the likelihood of internationalization. This is a reasonable assumption and is commonly promoted and acted upon by governments and agencies through subsidises, tax breaks, development zones and through educational policies (Gibson et al., 2011; Jansson, Soderman and Zhou, 2008; Liu, 2007).

The importance that education (level of attainment) played in helping to reduce the perception of several key barriers to internationalization was also highlighted. Increased levels of education were associated with a reduction in the perception of difficulty in identifying new opportunities, and in overcoming unfamiliar documents and procedures. This was a significant finding as some researchers have not been able to identify a relationship between education and entrepreneurship (Lu and Tao, 2008). This finding highlights some of the benefits of educational attainment to the individual and its value in the role of the entrepreneur. This affect may be accentuated in less developed areas such as in the Chinese province of Ningxia.

Increased levels of 'attitude to risk' were associated with a reduction in the perception of several key barriers. These included the perception of financial cost to export expansion, the ability to raise finance, the concern that export expansion would put the base operation at risk, and the ability to compete with local competition in foreign markets. These are common concerns and can frequently prevent or deter decision makers from exporting directly, particularly when finance is difficult to obtain and interest rates are high.

Similarly, increased levels of proactiveness are associated with a reduction, or a lower perception, of the difficulty in the expansion without personal and business contacts (networks) barrier. This suggests that increased levels of proactiveness may help to reduce the perception of this barrier which can then help to overcome or mitigate it. This barrier has been highlighted as a key barrier within the Chinese context and is important in overcoming the institutional barriers between Chinese and non-Chinese business networks (Jansson, Hilmersson and Sandberg, 2008). Increased levels of entrepreneurship which involve risk taking and proactiveness may be important for SME export development; indeed some researchers consider internationalization to be an entrepreneurial activity (O’Cass and Weerawardena, 2009; Knight 2000; Lu and Beamish 2001). This highlights the role that business and entrepreneurship education can play in helping to develop and encourage SMEs to internationalize.

### **9.3 Contribution of this Research**

Theory development and new models of internationalization have been called for by a number of researchers including Fillis (2001), Johanson and Vahlne (2003) and Meyer and Gelbuda (2006). Indeed, Fillis (2001) argued that both the testing of existing conceptualizations and the formation of new frameworks based on industry specific studies were needed in order to move internationalization theory forward. This research has been designed to test conceptualizations of the Uppsala PTI and the INV theories of internationalization, and to create new combined models based on the variables developed from the expectations and underlying assumptions of the Uppsala PTI and INV theories. These combined models represent the models that have the greatest explanatory power in a reduction in the perception of each individual selected barrier, in this research.

This new approach to SME internationalization brings together key themes from the PTI and INV theories of internationalization, with the barriers to export stream of literature. This research focuses on the impact of experiential knowledge and entrepreneurial input on the perception of selected barriers to export, identified from within the export barrier stream of literature. This thesis makes a number of distinct contributions to both the SME internationalization and the barriers to export streams of literature.

This research has been conducted within the Chinese province of Ningxia and provides valuable insights into the mind-set of decision makers in the Chinese SME manufacturing sector. The SME

manufacturing sector in the less developed provinces of China has substantial potential for export growth, but to date, has received relatively little attention in the literature.

This research has moved beyond the instrumentality of the Uppsala PTI and the INV theory, and has made an original contribution by focusing on how the variables developed from the Uppsala PTI and INV theories, respectively, impact upon the mind-set of the enterprise's decision maker. This research identified a negative correlation between the variables contained within the experiential knowledge and entrepreneurial input models, and the perception towards many of the selected individual barriers to export. Although these relationships are implicit within the internationalization models, this research has confirmed a negative correlation. This shows that an increase in the variables within the models, based on experiential knowledge and entrepreneurial input, are associated with a reduction in the perception of selected barriers to export and this give insights into best policy formulation.

This research resulted in the identification of which type of knowledge, which behavioural characteristics, attributes and attitudes, are associated with the reduction in the perception of the individual selected barriers to export used in this research. This information provides deeper insights and is particularly valuable when considering how best the perceptions of individual barriers can be reduced.

In the majority of cases, this research was able to develop new combined individual models based on both the experiential knowledge and entrepreneurial input variables, which had a greater explanatory power in the reduction of the perception of difficulty towards the selected barriers to export, than the individual experiential knowledge and entrepreneurial input models. This illustrates how a combination of experiential knowledge and entrepreneurial input can work together to increase the explanatory power in the reduction of the perception of individual selected export barriers than the experiential knowledge and entrepreneurial input models alone. This offers some empirical evidence that suggests that the INV theory can help enrich the traditional Uppsala PTI in helping to explain the internationalization behaviour of enterprises, through the different combinations of attributes and characteristics. This is, in part, reflected in the gradual lack of distinction and overlap between the time taken for INV enterprises to internationalize and the time taken for enterprises that follow a more traditional PTI path. Originally, INVs were considered to be enterprises which were international almost from inception. More recently, most researchers have accepted that INVs internationalize within a three year time period. However, in some industries

even longer periods are accepted as normal for INVs, and INVs have been considered to be enterprises that have internationalized within periods of up to six years in some research.

The research was able to consider government policy in the light of the research findings. This research found support for a number of government policies and evidence that export intensity was important for long term SME development.

In conclusion, this research has opened up a new avenue of investigation that provides deeper insights into the relationship between which types of knowledge and which behavioural characteristics, attributes and attitudes, are associated with the reduction in the perception of the individual selected barriers to export. This in turn provides insights into policy development which can be particularly advantageous in those areas which are less developed.

## **9.4 Limitations of the Research**

In common with all other research projects, this study has a number of limitations. The first is the generalizability of the findings. This research was undertaken in the province of Ningxia, China and the data produced, and the conclusions drawn, are only relevant to this province and possibly other similar less developed regions. The relative importance and contribution of the individual concepts and attributes may vary between the least and most developed provinces in China, which in turn might suggest a deeper consideration at policy level. For example, the effect that education plays may appear less where the educational standards are generally higher throughout the population. In addition, more developed provinces that are involved in the production of high technology products may demonstrate higher levels of entrepreneurship in order to keep up with constantly changing demand and shorter product lifecycles.

The second limitation is in the use of non-probability judgement sampling in this research. This type of sampling was used because of the difficulty in gaining access to the decision makers, the distances involved, the time available and the cost implications of using other sampling methods. Although, other methods of data collection were possible, including telephone and postal questionnaires, one of the most important considerations in this research was to ensure accessibility to the decision makers in order to measure their perceptions. The convenience judgemental sampling approach was believed to be the best approach in this respect and should increase the credibility of the findings.

The third limitation of this research is that the approach that was adopted focused on specific economic development zones, which could result in some bias in the results towards more developed SMEs when compared to the regional average. However, these SMEs may be the most likely to consider international export development and as a result be the most suitable for this research. The advantage of access to these decision makers was believed to outweigh any possible limitation in basing the research on economic development zones. Convenience sampling is common in China due to the logistics, and Roy et al. (2001) highlighted the fact that many published Chinese management studies that have been undertaken used a form of convenience sampling due to the difficulties in employing other sampling methods.

The fourth limitation of this research is in the number and choice of the selected variables that were adopted. The choice of variables was based on a review of the literature, and the strongest likelihood of those variables which would be most significant, whilst allowing for the fact that there might be more. Other variables that were not tested may play a significant role or may even have a greater explanatory power than those identified. Innovativeness was not used as an independent variable in this study as other researchers had suggested that it had been found to co-vary with proactiveness as a variable (Lee and Lim, 2009). This was also the case for competitive aggressiveness, identified by Lumpkin and Dess (1997). As this research was undertaken in the Chinese province of Ningxia, due to the developing nature and limited innovation within this province, it was decided to use entrepreneurial proactiveness rather than innovation within this study. Education was chosen in place of innovativeness for the insights that this would bring to its role in entrepreneurship, and more specifically, in the context of the province of Ningxia, China.

Similarly, variables other than those selected may affect the experiential knowledge base of an organization. These could include experience gained from previous enterprises and experiential knowledge gained through contacts and networks. In practice, it is difficult to measure experiential knowledge objectively, as there are many different sources and ways in which it can be developed and these are highly variable based on the individual decision maker's position and background. The 'age of the enterprise', the 'number of years of international involvement', and the 'export intensity of the enterprise' were adopted within this research, as these measures offered the most objective measure for cross comparison and generalization.

The fifth limitation of this research is that whilst the research considers the reduction in perception of the individual barriers, it does not attempt to identify which of the barriers is the most important

or most significant in the decision whether or not to undertake direct export. Although, a particular variable may reduce the perception of a large range of barriers, it may not reduce the perception of one or more particular barriers that are most influential to an individual enterprise. Such barriers may be specific to individual enterprises and may be influenced by the enterprise's resource base, ownership, strategy, and product portfolio. Leading on from this, it is not possible to predict whether or not an individual enterprise will undertake direct export even if the perceptions of many of the barriers are reduced. As discussed previously, an enterprise may prefer to concentrate on the domestic market, forgoing any potential gains in order to avoid the risks entailed with entering new international markets; the enterprise may not trade in goods that are suitable for export markets, or there may be particular strategic or resource constraints that prevent internationalization. However, it is reasonable to expect that a reduction in the barriers to direct export will increase the likelihood of internationalization. Indeed, this expectation is commonly promoted and acted upon by governments and agencies to promote international development (Jansson, Soderman and Zhou, 2008; Liu, 2007).

The final limitation was in the use of single questions used within the questionnaire to measure the detailed psychological constructs of 'attitude to risk' and 'proactiveness'. The use of single construct questions may be considered to be a limitation in this research and multiple questions may have produced a better overall indication of the decision maker's attitude to risk and proactiveness. However, this research was specifically concerned with the attitudes towards risk in relation to potential gain, and proactiveness in relation to seeking out new markets and opportunities. The single questions that were adopted were based on McDougall and Oviatt's (2000, p. 903) definition of international entrepreneurship, which was defined as, "A combination of innovative, proactive and risk seeking behaviour which crosses national borders and is intended to create value in organizations". This approach allows the participant to weight their answers as they perceive them in relation to the exact question.

Importantly, this work has laid the groundwork for future research in this area by determining the relationship between the mind-set of the decision maker, and variables selected from the Uppsala PTI and INV models.

## **9.5 Suggestions for Future Research**

The approach that this research has adopted has opened up a number of avenues of research in the future, which include the following: This research has demonstrated a negative correlation between

variables developed from the PTI and INV theories of internationalization, and the perception towards individual barriers to export. This research has studied six independent variables but future approaches can include other variables including, for example, the number of foreign customers, the number of foreign markets, competitive aggressiveness and innovativeness. In this research, a selection of what was believed to be eighteen of the most appropriate and significant barriers to export, was identified from existing research literature and studied. Other barriers to export can be researched in the future and may play a significant part in restricting potential export activity. This may lead to a better understanding of the perception of difficulty in undertaking direct export.

The research can also be applied in regions that are at different stages of their development. Other less developed areas can be researched to see whether the findings of this research can be reproduced to extend the generalizability of these findings. The research can be carried out in more developed areas to compare developed areas with those that are still developing. In all cases, the results can be considered in terms of development policy to highlight whether the most important policies are in place.

Although a reduction in the perception towards barriers is associated with the variables contained within the experiential knowledge and the entrepreneurial input models, it has not been possible to identify which of the individual selected barriers were the most difficult to overcome in relation to the other selected barriers. Whilst accepting that the perception of difficulty in overcoming individual barriers may well vary between enterprises and change within enterprises at different stages of an enterprise's development and growth, research into the relative difficulties of the selected barriers would add value to this approach. This would enable specific and targeted intervention at a policy development level, to alleviate specific barriers that are particularly difficult to overcome across a wide range of SMEs. Research into the relative perception of barriers at different stages of a SME's development will also provide useful additional insights to the findings of this research. Whilst the experiential knowledge model had the best explanatory power in the reduction in the perception of the greatest number of the selected barriers in this research, this research has found that the entrepreneurial input model had the best explanatory power in the reduction in the perception of some of the barriers that could be considered to be important at the very early decision making and planning stages of the export process. These include the perception towards the 'identification of new market opportunities', 'cost in expansion', and 'competing with local competition in foreign markets', barriers. If these barriers are identified as being particularly significant in the early stages of SMEs export development, this would provide additional evidence

that the early stages of internationalization involve greater entrepreneurial skills and resources, supporting the view that early internationalization is an entrepreneurial activity.

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# Appendix 1 - Correlations Results

**Table 1.1:** Cost of Expansion

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Cost of Expansion
Spearman's rho	Cost of Expansion	Correlation Coefficient	-.521**	-.277**	-.397**	-.093	-.747**	-.327**	1.000
		Sig. (1-tailed)	.000	.003	.000	.182	.000	.001	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Five of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. Education was not significant at this level and was not carried forward.

**Table 1.2:** Raising Finance

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Raising Finance
Spearman's rho	Raising Finance	Correlation Coefficient	-.453**	-.210*	-.247**	-.114	-.476**	-.148	1.000
		Sig. (1-tailed)	.000	.019	.007	.132	.000	.074	.
		N	98	98	98	98	98	98	98

**Correlations**

			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Raising Finance
Spearman's rho	Raising Finance	Correlation Coefficient	-.453**	-.210*	-.247**	-.114	-.476**	-.148	1.000
		Sig. (1-tailed)	.000	.019	.007	.132	.000	.074	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Four of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. Education and proactiveness were not significant at this level and were not carried forward.

**Table 1.3:** Identifying New Market Opportunities

**Correlations**

			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Identification of New Markets
Spearman's rho	Identification of New Markets	Correlation Coefficient	-.256**	.047	-.181*	-.680**	-.300**	-.239**	1.000
		Sig. (1-tailed)	.006	.323	.038	.000	.001	.009	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Five of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company was not significant at this level and was not carried forward.

**Table 1.4: Obtaining and Understanding New Market Information**

			Correlations					Information to	
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Analyse Markets
Spearman's rho	Information to Analyse Markets	Correlation Coefficient	-.699**	-.186*	-.485**	-.225*	-.469**	-.443**	1.000
		Sig. (1-tailed)	.000	.034	.000	.013	.000	.000	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

All six of the independent variables were significant at 0.05 level or above and were carried forward into the regression stage.

**Table 1.5: Dealing with Unfamiliar Documents and Procedures**

			Correlations					Unfamiliar Docs	
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Procedures
Spearman's rho	Unfamiliar Docs Procedures	Correlation Coefficient	-.287**	-.086	-.191*	-.502**	-.148	-.121	1.000
		Sig. (1-tailed)	.002	.201	.030	.000	.072	.117	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Three of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company, risk and proactiveness were not significant at this level and were not carried forward.

**Table 1.6:** Expanding without Networks

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Networks
Spearman's rho	Networks	Correlation Coefficient	-.487**	-.257**	-.407**	-.110	-.391**	-.643**	1.000
		Sig. (1-tailed)	.000	.005	.000	.140	.000	.000	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Five of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. Education was not significant at this level and was not carried forward.

**Table 1.7:** Distribution Channels

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Distribution Channels
Spearman's rho	Distribution Channels	Correlation Coefficient	-.762**	-.093	-.446**	-.203*	-.343**	-.512**	1.000
		Sig. (1-tailed)	.000	.182	.000	.022	.000	.000	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Five of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company was not significant at this level and was not carried forward.

**Table 1.8: Finding Local Representation**

**Correlations**

			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Local Representation
Spearman's rho	Local Representation	Correlation Coefficient	-.548**	.053	-.267**	-.073	-.303**	-.278**	1.000
		Sig. (1-tailed)	.000	.302	.004	.236	.001	.003	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Four of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company and education were not significant at this level and were not carried forward.

**Table 1.9: Foreign Customer Attitudes**

**Correlations**

			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Foreign Customer Attitudes
Spearman's rho	Foreign Customer Attitudes	Correlation Coefficient	-.730**	-.104	-.429**	-.225*	-.634**	-.490**	1.000
		Sig. (1-tailed)	.000	.155	.000	.013	.000	.000	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Five of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company was not significant at this level and was not carried forward.

**Table 1.10: Language Differences**

**Correlations**

			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Language Differences
Spearman's rho	Language Differences	Correlation Coefficient	-.597**	-.108	-.486**	-.157	-.495**	-.299**	1.000
		Sig. (1-tailed)	.000	.145	.000	.062	.000	.001	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Four of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company and education were not significant at this level and were not carried forward.

**Table 1.11: Foreign Rules and Regulations**

**Correlations**

			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Rules and Regulations
Spearman's rho	Rules and Regulations	Correlation Coefficient	-.644**	-.033	-.489**	-.092	-.461**	-.387**	1.000
		Sig. (1-tailed)	.000	.373	.000	.185	.000	.000	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Four of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company and education were not significant at this level and were not carried forward.

**Table 1.12: Tariff Barriers**

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Tariff Barriers
Spearman's rho	Tariff Barriers	Correlation Coefficient	-.341**	-.084	-.026	.015	-.240**	-.230*	1.000
		Sig. (1-tailed)	.000	.206	.401	.441	.009	.011	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Three of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company, years of international involvement and education were not significant at this level and were not carried forward.

**Table 1.13: Foreign Business Practices**

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Unfamiliar Business Practices
Spearman's rho	Unfamiliar Business Practices	Correlation Coefficient	-.601**	-.211*	-.434**	-.029	-.334**	-.391**	1.000
		Sig. (1-tailed)	.000	.018	.000	.387	.000	.000	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Five of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. Education was not significant at this level and was not carried forward.

**Table 1.14: Physical Distance**

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Physical Distance
Spearman's rho	Physical Distance	Correlation Coefficient	-.641**	-.156	-.507**	-.042	-.400**	-.563**	1.000
		Sig. (1-tailed)	.000	.063	.000	.340	.000	.000	.
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Four of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company and education were not significant at this level and were not carried forward.

**Table 1.15: Expansion Undermining Existing Business**

			Correlations						
			Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness	Expansion Undermining Base Operation
Spearman's rho	Expansion Undermining Base Operation		-.601**	-.133	-.363**	-.046	-.587**	-.413**	1.000
			.000	.095	.000	.325	.000	.000	.
			98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Four of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The age of the company and education were not significant at this level and were not carried forward.

**Table 1.16: Foreign Exchange Risk**

**Correlations**

			Foreign Exchange Risk	Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness
Spearman's rho	Foreign Exchange Risk	Correlation Coefficient	1.000	-.363**	-.196*	-.482**	-.105	-.303**	-.435**
		Sig. (1-tailed)	.	.000	.026	.000	.153	.001	.000
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Five of the six independent variables were significant at 0.05 level or above and were carried forward into the regression stage. The education of the entrepreneur was not significant at this level and was not carried forward.

**Table 1.17: Competing with Local Competition in Foreign markets**

**Correlations**

			Competing with Local Competition in Overseas Markets	Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness
Spearman's rho	Competing with Local Competition in Overseas Markets	Correlation Coefficient	1.000	-.538**	-.112	-.455**	-.187*	-.634**	-.333**
		Sig. (1-tailed)	.	.000	.136	.000	.033	.000	.000
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Five of the five independent variables were significant at 0.05 the level or above and were carried forward into the regression stage. The age of the company was not significant at this level and was not carried forward.

**Table 1.18: Matching Competitors Prices in Foreign Markets**

			Correlations						
			Difficulty in Matching Prices	Export Intensity	Age of Company	Years of International Involvement	Education	Risk	Proactiveness
Spearman's rho	Difficulty in Matching Prices	Correlation Coefficient	1.000	-.350**	-.251**	-.495**	-.169*	-.456**	-.192*
		Sig. (1-tailed)	.	.000	.006	.000	.049	.000	.029
		N	98	98	98	98	98	98	98

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

All of the six independent variables were significant at the 0.05 level or above and were carried forward into the regression stage.

# Appendix 2 -Experiential Knowledge and Entrepreneurial Input

## Model Regression Results

**Table 2.1.1:** Cost of Expansion – Experiential Knowledge Variables

Model		Coefficients <sup>a</sup>						Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF	
		B	Std. Error	Beta					
1	(Constant)	5.874	.298		19.720	.000			
	Export Intensity	-3.058	.690	-.437	-4.431	.000	.731	1.369	
	Age of Company	-.045	.025	-.164	-1.831	.070	.883	1.132	
	Years of International Involvement	-.065	.045	-.150	-1.445	.152	.658	1.521	

a. Dependent Variable: Cost of Expansion

The number of years of international involvement was removed from the regression analysis as it had a sig. value >.1 (sig.152).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564 <sup>a</sup>	.318	.303	.96567

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564 <sup>a</sup>	.318	.303	.96567

a. Predictors: (Constant), Age of Company, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.821	.297		19.579	.000		
	Export Intensity	-3.572	.594	-.510	-6.009	.000	.996	1.004
	Age of Company	-.057	.023	-.208	-2.446	.016	.996	1.004

a. Dependent Variable: Cost of Expansion

The model that was tested (based on export intensity and the age of the company) accounted for 30.3% of the variance in the perception of the barrier.

**Table 2.1.2: Cost of Expansion – Entrepreneurial Input Variables**

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
		1	(Constant)	6.523				
	Risk	-.597	.061	-.719	-9.856	.000	.861	1.162
	Proactiveness	-.093	.089	-.077	-1.049	.297	.861	1.162

a. Dependent Variable: Cost of Expansion

Proactiveness was removed from the regression analysis as it had a sig. value >.1 (sig.2.97).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748 <sup>a</sup>	.559	.555	.77199

a. Predictors: (Constant), Risk

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	6.356	.192		33.090	.000		
	Risk	-.621	.056	-.748	-11.040	.000	1.000	1.000

a. Dependent Variable: Cost of Expansion

The model that was tested (attitude to risk) accounted for 55.5% of the variance in the perception of the barrier.

**Table 2.2.1:** Raising Finance – Experiential Knowledge Variables

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.480	.259		21.147	.000		
	Export Intensity	-2.519	.600	-.449	-4.197	.000	.731	1.369
	Age of Company	-.037	.021	-.169	-1.736	.086	.883	1.132
	Years of International Involvement	.019	.039	.056	.494	.623	.658	1.521

a. Dependent Variable: Raising Finance

The number of years of international involvement was removed from the regression analysis as it had a sig. value >.1 (sig.623).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.458 <sup>a</sup>	.210	.194	.83200

a. Predictors: (Constant), Age of Company, Export Intensity

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	5.496	.256		21.453	.000		
	Export Intensity	-2.366	.512	-.422	-4.620	.000	.996	1.004
	Age of Company	-.034	.020	-.153	-1.674	.097	.996	1.004

a. Dependent Variable: Raising Finance

The model that was tested (based on export intensity and the age of the company) accounted for 19.4% of the variance in the perception of the barrier.

**Table 2.2.2:** Raising Finance – Entrepreneurial Input Variables

Education and proactiveness were not carried forward into the regression stage as they did not have a significant correlation at a 0.05 level

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.442 <sup>a</sup>	.195	.187	.83552

a. Predictors: (Constant), Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.529	.208		26.593	.000		
	Risk	-.294	.061	-.442	-4.824	.000	1.000	1.000

a. Dependent Variable: Raising Finance

The model that was tested (attitude to risk) accounted for 18.7% of the variance in the perception of the barrier.

**Table 2.3.1:** Identifying New Market Opportunities – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.278 <sup>a</sup>	.077	.058	.81237

a. Predictors: (Constant), Years of International Involvement, Indirect Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.392	.168		26.124	.000		
	Export Intensity	-1.115	.580	-.220	-1.923	.057	.741	1.349
	Years of International Involvement	-.029	.036	-.092	-1.002	.084	.741	1.349

a. Dependent Variable: Identification of New Markets

The model that was tested (based on export intensity and years of international involvement) accounted for 0.58% of the variance in the perception of the barrier.

**Table 2.3.2:** Identifying New Market Opportunities – Entrepreneurial Input Variables

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.698 <sup>a</sup>	.487	.471	.60873

a. Predictors: (Constant), Proactiveness, Education, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.065	.244		24.873	.000		
	Education	-.624	.076	-.616	-8.191	.000	.964	1.037
	Risk	-.128	.048	-.213	-2.677	.009	.860	1.163
	Proactiveness	-.070	.071	-.079	-1.085	.077	.838	1.193

a. Dependent Variable: Identification of New Markets

The model that was tested (education, attitude to risk and proactiveness) accounted for 47.1% of the variance in the perception of the barrier.

**Table 2.4.1:** Obtaining and Understanding New Market Information – Experiential Knowledge Variables

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.447	.235		23.169	.000		
	Export Intensity	-3.555	.545	-.577	-6.528	.000	.731	1.369
	Age of Company	-.014	.019	-.056	-.701	.485	.883	1.132
	Years of International Involvement	-.060	.036	-.158	-1.692	.094	.658	1.521

a. Dependent Variable: Information to Analyse Markets

The age of company was removed from the regression analysis as it had a sig. value >.1 (sig.485).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.679 <sup>a</sup>	.461	.449	.75579

a. Predictors: (Constant), Years of International Involvement, Export Intensity

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.324	.156		34.039	.000		
	Export Intensity	-3.509	.539	-.570	-6.508	.000	.741	1.349
	Years of International Involvement	-.069	.033	-.180	-2.053	.043	.741	1.349

a. Dependent Variable: Information to Analyse Markets

The model that was tested (based on export intensity and years of international involvement) accounted for 44.9% of the variance in the perception of the barrier.

**Table 2.4.2:** Obtaining and Understanding New Market Information – Entrepreneurial Input Variables

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.554 <sup>a</sup>	.307	.285	.86102

a. Predictors: (Constant), Proactiveness, Education, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.183	.345		17.925	.000		
	Education	-.140	.108	-.114	-1.299	.097	.964	1.037
	Risk	-.221	.068	-.302	-3.265	.002	.860	1.163
	Proactiveness	-.352	.100	-.329	-3.510	.001	.838	1.193

a. Dependent Variable: Information to Analyse Markets

The model that was tested (education, attitude to risk and proactiveness) accounted for 28.5% of the variance in the perception of the barrier.

**Table 2.5.1:** Dealing with Unfamiliar Documents and Procedures – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.585	.212		21.589	.000		
	Export Intensity	-1.687	.732	-.263	-2.305	.023	.741	1.349
	Years of International Involvement	-.019	.045	-.049	-.427	.670	.741	1.349

a. Dependent Variable: Unfamiliar Docs Procedures

The years of international involvement was removed from the regression analysis as it had a sig. value >.1 (sig.783).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.488 <sup>a</sup>	.083	.173	1.02183

a. Predictors: (Constant), Export Intensity

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	4.531	.170	26.613	.000			
	Export Intensity	-1.847	.628	-.288	-.2942	.004	1.000	1.000

a. Dependent Variable: Unfamiliar Docs Procedures

The model that was tested (export intensity) accounted for 17.3% of the variance in the perception of the barrier.

**Table 2.5.2:** Dealing with Unfamiliar Documents and Procedures – Entrepreneurial Input Variables

Risk and proactiveness were not carried forward into the regression stage as they did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 <sup>a</sup>	.262	.254	.91674

a. Predictors: (Constant), Education

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.675	.280		20.256	.000		
	Education	-.657	.113	-.512	-5.833	.000	1.000	1.000

a. Dependent Variable: Unfamiliar Docs Procedures

The model that was tested (education) accounted for 25.4% of the variance in the perception of the barrier.

**Table 2.6.1:** Expanding without Networks – Experiential Knowledge Variables

		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	5.754	.316		18.183	.000		
	Export Intensity	-2.934	.733	-.401	-4.003	.000	.731	1.369
	Age of Company	-.048	.026	-.167	-1.830	.070	.883	1.132
	Years of International Involvement	-.076	.048	-.168	-1.588	.116	.658	1.521

a. Dependent Variable: Networks

The years of international involvement was removed from the regression analysis as it had a sig. value >.1 (sig.116).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.541 <sup>a</sup>	.293	.278	1.02830

a. Predictors: (Constant), Age of Company, Export Intensity

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.693	.317		17.981	.000		
	Export Intensity	-3.535	.633	-.483	-5.584	.000	.996	1.004
	Age of Company	-.062	.025	-.215	-2.490	.015	.996	1.004

a. Dependent Variable: Networks

The model that was tested (based on export intensity and the age of the company) accounted for 29.3% of the variance in the perception of the barrier.

**Table 2.6.2:** Expanding without Networks – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666 <sup>a</sup>	.443	.431	.91271

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.630	.295		22.511	.000		
	Risk	-.158	.072	-.182	-2.202	.030	.861	1.162
	Proactiveness	-.733	.105	-.576	-6.983	.000	.861	1.162

a. Dependent Variable: Networks

The model that was tested (attitude to risk and proactiveness) accounted for 43.1% of the variance in the perception of the barrier.

**Table 2.7.1:** Distribution Channels – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.744 <sup>a</sup>	.553	.544	.64774

a. Predictors: (Constant), Years of International Involvement, Indirect Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.423	.134		40.455	.000		
	Export Intensity	-3.951	.462	-.681	-8.550	.000	.741	1.349
	Years of International Involvement	-.040	.029	-.112	-1.403	.064	.741	1.349

a. Dependent Variable: Distribution Channels

The model that was tested (based on export intensity and years of international involvement) accounted for 54.4% of the variance in the perception of the barrier.

**Table 2.7.2:** Distribution Channels – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.521 <sup>a</sup>	.272	.256	.82720

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.879	.267		22.027	.000		
	Risk	-.114	.065	-.166	-1.760	.082	.861	1.162
	Proactiveness	-.440	.095	-.436	-4.621	.000	.861	1.162

a. Dependent Variable: Distribution Channels

The model that was tested (attitude to risk and proactiveness) accounted for 25.6% of the variance in the perception of the barrier.

**Table 2.8.1:** Finding Local Representation – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.636	.163		28.475	.000		
	Export Intensity	-2.666	.561	-.488	-4.750	.000	.741	1.349
	Years of International Involvement	-.011	.035	-.033	-.318	.751	.741	1.349

a. Dependent Variable: Local Representation

The years of international involvement was removed from the regression analysis as it had a sig. value >.1 (sig.751).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505 <sup>a</sup>	.255	.247	.78297

a. Predictors: (Constant), Export Intensity

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	4.605	.130		35.298	.000		
	Export Intensity	-2.756	.481		-5.731	.000	1.000	1.000

a. Dependent Variable: Local Representation

The model that was tested (export intensity) accounted for 24.7% of the variance in the perception of the barrier.

**Table 2.8.2:** Finding Local Representation – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.360 <sup>a</sup>	.129	.111	.85080

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.956	.275		18.054	.000		
	Risk	-.165	.067	-.255	-2.471	.015	.861	1.162
	Proactiveness	-.167	.098	-.176	-1.705	.091	.861	1.162

a. Dependent Variable: Local Representation

The model that was tested (attitude to risk and proactiveness) accounted for 11.1% of the variance in the perception of the barrier.

**Table 2.9.1:** Foreign Customer Attitudes – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 <sup>a</sup>	.513	.503	.59075

a. Predictors: (Constant), Years of International Involvement, Indirect Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.668	.122		38.182	.000		
	Export Intensity	-3.130	.421	-.617	-7.427	.000	.741	1.349
	Years of International Involvement	-.052	.026	-.166	-2.000	.048	.741	1.349

a. Dependent Variable: Foreign Customer Attitudes

The model that was tested (based on export intensity and years of international involvement) accounted for 50.3% of the variance in the perception of the barrier.

**Table 2.9.2:** Foreign Customers Attitudes – Entrepreneurial Input Variables

Education was removed from the regression analysis as it had a sig. value >.1 (sig.186).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.679 <sup>a</sup>	.461	.450	.62148

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.393	.201		26.891	.000		
	Risk	-.304	.049	-.505	-6.223	.000	.861	1.162
	Proactiveness	-.267	.071	-.303	-3.737	.000	.861	1.162

a. Dependent Variable: Foreign Customer Attitudes

The model that was tested (attitude to risk and proactiveness) accounted for 45.0% of the variance in the perception of the barrier.

**Table 2.10.1:** Language Differences – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667 <sup>a</sup>	.445	.433	.78854

a. Predictors: (Constant), Years of International Involvement, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.669	.163		28.610	.000		
	Export Intensity	-2.718	.563	-.429	-4.832	.000	.741	1.349
	Years of International Involvement	-.133	.035	-.337	-3.802	.000	.741	1.349

a. Dependent Variable: Language Differences

The model that was tested (based on export intensity and years of international involvement) accounted for 43.3% of the variance in the perception of the barrier.

**Table 2.10.2:** Language Differences – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.515 <sup>a</sup>	.265	.250	.90737

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.955	.293		16.925	.000		
	Risk	-.324	.071	-.432	-4.553	.000	.861	1.162
	Proactiveness	-.179	.104	-.163	-1.720	.089	.861	1.162

a. Dependent Variable: Language Differences

The model that was tested (attitude to risk and proactiveness) accounted for 25.0% of the variance in the perception of the barrier.

**Table 2.11.1:** Foreign Rules and Regulations – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702 <sup>a</sup>	.493	.482	.88024

a. Predictors: (Constant), Years of International Involvement, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.169	.182		28.377	.000		
	Export Intensity	-3.934	.628	-.532	-6.264	.000	.741	1.349
	Years of International Involvement	-.120	.039	-.262	-3.081	.003	.741	1.349

a. Dependent Variable: Rules and Regulations

The model that was tested (based on export intensity and years of international involvement) accounted for 48.2% of the variance in the perception of the barrier.

**Table 2.11.2:** Foreign Rules and Regulations – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.540 <sup>a</sup>	.292	.277	1.03972

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.677	.335		16.922	.000		
	Risk	-.352	.082	-.401	-4.314	.000	.861	1.162
	Proactiveness	-.311	.120	-.242	-2.599	.011	.861	1.162

a. Dependent Variable: Rules and Regulations

The model that was tested (attitude to risk and proactiveness) accounted for 50.3% of the variance in the perception of the barrier.

**Table 2.12.1:** Tariff Barriers – Experiential Knowledge Variables

Age of the company and years of international involvement were not carried forward into the regression stage as they did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.349 <sup>a</sup>	.122	.112	.62362

a. Predictors: (Constant), Indirect Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.658	.104		44.832	.000		
	Export Intensity	-1.396	.383	-.349	-3.644	.000	1.000	1.000

a. Dependent Variable: Tariff Barriers

The model that was tested (export intensity) accounted for 11.2% of the variance in the perception of the barrier.

**Table 2.12.2:** Tariff Barriers – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.952	.205		24.113	.000		
	Risk	-.101	.050	-.213	-2.027	.045	.861	1.162
	Proactiveness	-.108	.073	-.155	-1.476	.143	.861	1.162

a. Dependent Variable: Tarriff Barriers

Proactiveness was removed from the regression analysis as it had a sig. value >.1 (sig.143).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.271 <sup>a</sup>	.074	.064	.64041

a. Predictors: (Constant), Risk

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	4.759	.159		29.866	.000		
	Risk	-.129	.047	-.271	-2.762	.007	1.000	1.000

a. Dependent Variable: Tariff Barriers

The model that was tested (attitude to risk) accounted for 0.64% of the variance in the perception of the barrier.

**Table 2.13.1:** Foreign Business Practices – Experiential Knowledge Variables

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.652 <sup>a</sup>	.425	.406	.62978

a. Predictors: (Constant), Years of International Involvement, Age of Company, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.783	.195		24.482	.000		
	Export Intensity	-2.552	.453	-.516	-5.639	.000	.731	1.369
	Age of Company	-.028	.016	-.145	-1.739	.085	.883	1.132
	Years of International Involvement	-.050	.030	-.163	-1.691	.094	.658	1.521

a. Dependent Variable: Unfamiliar Business Practices

The model that was tested (based on export intensity, age of company and years of international involvement) accounted for 40.6% of the variance in the perception of the barrier.

**Table 2.13.2:** Foreign Business Practices – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.461 <sup>a</sup>	.213	.196	.73296

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.830	.237		20.424	.000		
	Risk	-.139	.058	-.238	-2.423	.017	.861	1.162
	Proactiveness	-.272	.084	-.316	-3.222	.002	.861	1.162

a. Dependent Variable: Unfamiliar Business Practices

The model that was tested (attitude to risk and proactiveness) accounted for 19.6% of the variance in the perception of the barrier.

**Table 2.14.1:** Physical Distance – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681 <sup>a</sup>	.464	.453	.87545

a. Predictors: (Constant), Years of International Involvement, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.724	.181		31.596	.000		
	Export Intensity	-3.717	.625	-.519	-5.952	.000	.741	1.349
	Years of International Involvement	-.111	.039	-.250	-2.864	.005	.741	1.349

a. Dependent Variable: Physical Distance

The model that was tested (based on export intensity and years of international involvement) accounted for 45.3% of the variance in the perception of the barrier.

**Table 2.14.2:** Physical Distance – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621 <sup>a</sup>	.385	.373	.93741

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.631	.302		21.922	.000		
	Risk	-.214	.074	-.252	-2.903	.005	.861	1.162
	Proactiveness	-.599	.108	-.481	-5.553	.000	.861	1.162

a. Dependent Variable: Physical Distance

The model that was tested (attitude to risk and proactiveness) accounted for 37.3% of the variance in the perception of the barrier.

**Table 2.15.1:** Expansion Undermining Existing Business – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
Model		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.231	.253		24.612	.000		
	Export Intensity	-4.384	.873	-.491	-5.023	.000	.741	1.349
	Years of International Involvement	-.076	.054	-.138	-1.409	.162	.741	1.349

a. Dependent Variable: Expansion Undermining Base Operation

Years of international involvement was removed from the regression analysis as it had a sig. value >.1 (sig.162).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.561 <sup>a</sup>	.314	.307	1.22956

a. Predictors: (Constant), Export Intensity

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.019	.205	29.382	.000		
	Export Intensity	-5.009	.755	-.561	-6.632	.000	1.000

a. Dependent Variable: Expansion Undermining Base Operation

The model that was tested (export intensity) accounted for 30.7% of the variance in the perception of the barrier.

**Table 2.15.2:** Expansion Undermining Existing Business – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.644 <sup>a</sup>	.415	.403	1.14170

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7.563	.368		20.530	.000		
	Risk	-.563	.090	-.531	-6.283	.000	.861	1.162
	Proactiveness	-.335	.131	-.216	-2.555	.012	.861	1.162

a. Dependent Variable: Expansion Undermining Base Operation

The model that was tested (attitude to risk and proactiveness) accounted for 40.3% of the variance in the perception of the barrier.

**Table 2.16.1:** Foreign Exchange Risk – Experiential Knowledge Variables

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.115	.397		15.408	.000		
	Export Intensity	-1.257	.919	-.142	-1.368	.175	.731	1.369
	Age of Company	-.021	.033	-.062	-.654	.515	.883	1.132
	Years of International Involvement	-.219	.060	-.399	-3.638	.000	.658	1.521

a. Dependent Variable: Foreign Exchange Risk

The age of the company was removed from the regression analysis as it had a sig. value >.1 (sig.515) and export intensity as it had a sig. value >.1 (sig.175).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.491 <sup>a</sup>	.241	.234	1.28006

a. Predictors: (Constant), Years of International Involvement

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.836	.257		22.749	.000
	Years of International Involvement	-.269	.049	-.491	-5.522	.000

a. Dependent Variable: Foreign Exchange Risk

The model that was tested (years of international involvement) accounted for 23.3% of the variance in the perception of the barrier.

**Table 2.16.2:** Foreign Exchange Risk – Entrepreneurial Input Variables

Education was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.537	.428		15.268	.000		
	Risk	-.165	.104	-.157	-1.585	.116	.861	1.162
	Proactiveness	-.546	.153	-.356	-3.578	.001	.861	1.162

a. Dependent Variable: Foreign Exchange Risk

The attitude to risk was removed from the regression analysis as it had a sig. value >.1 (sig.116).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.414 <sup>a</sup>	.172	.163	1.33735

a. Predictors: (Constant), Proactiveness

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	6.255	.392		15.942	.000
	Proactiveness	-.636	.143	-.414	-4.460	.000

a. Dependent Variable: Foreign Exchange Risk

The model that was tested (proactiveness) accounted for 16.3% of the variance in the perception of the barrier.

**Table 2.17.1:** Competing with Local Competition in Foreign Markets – Experiential Knowledge Variables

Age of the company was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.580 <sup>a</sup>	.337	.323	1.10847

a. Predictors: (Constant), Years of International Involvement, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.365	.229		23.388	.000		
	Export Intensity	-2.545	.791	-.312	-3.218	.002	.741	1.349
	Years of International Involvement	-.180	.049	-.355	-3.662	.000	.741	1.349

a. Dependent Variable: Competing with Local Competition in Overseas Markets

The model that was tested (export intensity and years of international involvement) accounted for 32.3% of the variance in the perception of the barrier.

**Table 2.17.2:** Competing with Local Competition in Foreign Markets – Entrepreneurial Input

The education of the entrepreneur was not carried forward into the regression stage as it did not have a significant correlation at a 0.05 level.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651 <sup>a</sup>	.423	.411	1.03348

a. Predictors: (Constant), Proactiveness, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.286	.333		18.851	.000		
	Risk	-.563	.081	-.583	-6.942	.000	.861	1.162
	Proactiveness	-.204	.119	-.144	-1.720	.089	.861	1.162

a. Dependent Variable: Competing with Local Competition in Overseas Markets

The model that was tested (attitude to risk and proactiveness) accounted for 41.1% of the variance in the perception of the barrier.

**Table 2.18.1:** Matching Competitors Prices in Foreign Markets – Experiential Knowledge Variables

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.940	.320		15.437	.000		
	Export Intensity	-.982	.741	-.132	-1.325	.188	.731	1.369
	Age of Company	-.024	.026	-.082	-.907	.367	.883	1.132
	Years of International Involvement	-.210	.048	-.454	-4.323	.000	.658	1.521

a. Dependent Variable: Difficulty in Matching Prices

Export intensity was removed from the regression analysis as it had a sig. value >.1 (sig.118) and the age of the company was removed as it has a sig. value >1. (sig.367).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548 <sup>a</sup>	.300	.293	1.03322

a. Predictors: (Constant), Years of International Involvement

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	4.658	.207		22.498	.000
	Years of International Involvement	-.253	.039	-.548	-6.420	.000

a. Dependent Variable: Difficulty in Matching Prices

The model that was tested (years of international involvement) accounted for 29.3% of the variance in the perception of the barrier.

**Table 2.18.2:** Matching Competitors Prices in Foreign Markets – Entrepreneurial Input

Model		Coefficients <sup>a</sup>						Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF	
		B	Std. Error	Beta					
1	(Constant)	5.430	.426		12.757	.000			
	Education	-.157	.133	-.106	-1.183	.240	.964	1.037	
	Risk	-.411	.083	-.466	-4.921	.000	.860	1.163	
	Proactiveness	-.104	.124	-.080	-.838	.404	.838	1.193	

a. Dependent Variable: Difficulty in Matching Prices

The entrepreneurs education was removed from the regression analysis as it had a sig. value >.1 (sig.240) and the entrepreneurs proactiveness was removed as it has a sig. value >.1 (sig.404).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.506 <sup>a</sup>	.256	.248	1.06534

a. Predictors: (Constant), Risk

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.903	.265		18.497	.000
Risk	-.446	.078	-.506	-5.751	.000

a. Dependent Variable: Difficulty in Matching Prices

The model that was tested (the entrepreneurs attitude to risk) accounted for 24.8% of the variance in the perception of the barrier.

# Appendix 3 - Combination Model Regression Results

**Table 3.1:** Cost of Expansion

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748 <sup>a</sup>	.559	.555	.77199
2	.770 <sup>b</sup>	.633	.625	.74567

a. Predictors: (Constant), Risk

b. Predictors: (Constant), Risk, Years of International Involvement

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.356	.192		33.090	.000		
	Risk	-.621	.056	-.748	-11.040	.000	1.000	1.000
2	(Constant)	6.571	.201		32.751	.000		
	Risk	-.566	.058	-.682	-9.812	.000	.886	1.128
	Years of International Involvement	-.085	.030	-.195	-2.810	.006	.886	1.128

a. Dependent Variable: Cost of Expansion

All of the independent variables were included in the stepwise regression analysis except for education as it did not have a significant correlation at a 0.05 level.

**Table 3.2:** Raising Finance

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.442 <sup>a</sup>	.195	.187	.83552
2	.492 <sup>b</sup>	.242	.246	.81528

a. Predictors: (Constant), Risk

b. Predictors: (Constant), Risk, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.529	.208		26.593	.000		
	Risk	-.294	.061	-.442	-4.824	.000	1.000	1.000
2	(Constant)	5.529	.203		27.256	.000		
	Risk	-.191	.073	-.288	-2.618	.010	.662	1.511
	Export Intensity	-1.486	.616	-.265	-2.414	.018	.662	1.511

a. Dependent Variable: Raising Finance

All of the independent variables were included in the stepwise regression analysis except for education and proactiveness as they did not have a significant correlation at a 0.05 level.

**Table 3.3:** Identifying New Market Opportunities

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651 <sup>a</sup>	.424	.418	.63837
2	.694 <sup>b</sup>	.482	.471	.60863

a. Predictors: (Constant), Education

b. Predictors: (Constant), Education, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.569	.195		28.546	.000		
	Education	-.660	.078	-.651	-8.412	.000	1.000	1.000
2	(Constant)	5.967	.222		26.825	.000		
	Education	-.636	.075	-.628	-8.466	.000	.991	1.009
	Risk	-.145	.045	-.242	-3.257	.002	.991	1.009

a. Dependent Variable: Identification of New Markets

All of the independent variables were included in the stepwise regression analysis except for the age of the company as it did not have a significant correlation at a 0.05 level.

**Table 3.4:** Obtaining and Understanding New Market Information

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661 <sup>a</sup>	.437	.431	.76833
2	.679 <sup>b</sup>	.498	.490	.75540

a. Predictors: (Constant), Export Intensity

b. Predictors: (Constant), Export Intensity, Proactiveness

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.134	.128		40.100	.000		
	Export Intensity	-4.072	.472	-.661	-8.628	.000	1.000	1.000
2	(Constant)	5.513	.222		24.871	.000		
	Export Intensity	-3.523	.534	-.572	-6.597	.000	.755	1.325
	Proactiveness	-.193	.093	-.180	-2.077	.040	.755	1.325

a. Dependent Variable: Information to Analyse Markets

All of the independent variables were included in the stepwise regression analysis.

**Table 3.5:** Dealing with Unfamiliar Documents and Procedures

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 <sup>a</sup>	.262	.254	.91674
2	.567 <sup>b</sup>	.321	.307	.88354

a. Predictors: (Constant), Education

b. Predictors: (Constant), Education, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.675	.280		20.256	.000		
	Education	-.657	.113	-.512	-5.833	.000	1.000	1.000
2	(Constant)	5.951	.286		20.779	.000		
	Education	-.630	.109	-.490	-5.780	.000	.993	1.008
	Export Intensity	-1.574	.545	-.245	-2.890	.005	.993	1.008

a. Dependent Variable: Unfamiliar Docs Procedures

All of the independent variables were included in the stepwise regression analysis except for the age of the company, attitude to risk and proactiveness as they did not have a significant correlation at a 0.05 level.

**Table 3.6:** Expanding without Networks

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.644 <sup>a</sup>	.415	.409	.93082
2	.676 <sup>b</sup>	.495	.485	.90144

a. Predictors: (Constant), Proactiveness

b. Predictors: (Constant), Proactiveness, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.360	.273		23.288	.000		
	Proactiveness	-.819	.099	-.644	-8.248	.000	1.000	1.000
2	(Constant)	6.349	.264		24.003	.000		
	Proactiveness	-.670	.111	-.527	-6.057	.000	.755	1.325
	Export Intensity	-1.729	.637	-.236	-2.713	.008	.755	1.325

a. Dependent Variable: Networks

All of the independent variables were included in the stepwise regression analysis except for education as it did not have a significant correlation at a 0.05 level.

**Table 3.7:** Distribution Channels

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738 <sup>a</sup>	.544	.539	.65100
2	.753 <sup>b</sup>	.568	.558	.63742
3	.767 <sup>c</sup>	.588	.575	.62553

a. Predictors: (Constant), Export Intensity

b. Predictors: (Constant), Export Intensity, Proactiveness

c. Predictors: (Constant), Export Intensity, Proactiveness, Risk

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.311	.108		48.967	.000		
	Export Intensity	-4.281	.400	-.738	-10.707	.000	1.000	1.000
2	(Constant)	5.660	.187		30.263	.000		
	Export Intensity	-3.776	.451	-.651	-8.379	.000	.755	1.325
	Proactiveness	-.177	.078	-.176	-2.266	.026	.755	1.325
3	(Constant)	5.449	.208		26.180	.000		
	Export Intensity	-4.315	.508	-.744	-8.493	.000	.572	1.749
	Proactiveness	-.197	.077	-.196	-2.552	.012	.744	1.344
	Risk	.122	.056	.177	2.156	.034	.652	1.534

All of the independent variables were included in the stepwise regression analysis except for the age of the company as it did not have a significant correlation at a 0.05 level.

**Table 3.8:** Finding Local Representation

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505 <sup>a</sup>	.255	.247	.78297

a. Predictors: (Constant), Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.605	.130		35.298	.000		
	Export Intensity	-2.756	.481	-.505	-5.731	.000	1.000	1.000

a. Dependent Variable: Local Representation

All of the independent variables were included in the stepwise regression analysis except for the age of the company and education as they did not have a significant correlation at a 0.05 level.

**Table 3.9:** Foreign Customer Attitudes

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702 <sup>a</sup>	.493	.488	.59992
2	.748 <sup>b</sup>	.559	.550	.56209
3	.760 <sup>c</sup>	.578	.564	.55311

a. Predictors: (Constant), Export Intensity

b. Predictors: (Constant), Export Intensity, Risk

c. Predictors: (Constant), Export Intensity, Risk, Proactiveness

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.523	.100		45.248	.000		
	Export Intensity	-3.559	.368	-.702	-9.658	.000	1.000	1.000
2	(Constant)	4.916	.140		35.151	.000		
	Export Intensity	-2.624	.424	-.518	-6.181	.000	.662	1.511
	Risk	-.191	.050	-.317	-3.789	.000	.662	1.511
3	(Constant)	5.164	.184		28.062	.000		
	Export Intensity	-2.288	.449	-.451	-5.093	.000	.572	1.749
	Risk	-.178	.050	-.297	-3.578	.001	.652	1.534
	Proactiveness	-.139	.068	-.158	-2.027	.045	.744	1.344

All of the independent variables were included in the stepwise regression analysis except for the age of the company as it did not have a significant correlation at a 0.05 level.

**Table 3.10:** Language Differences

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.601 <sup>a</sup>	.361	.354	.84198
2	.667 <sup>b</sup>	.445	.433	.78854
3	.686 <sup>c</sup>	.470	.453	.77447

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.601 <sup>a</sup>	.361	.354	.84198
2	.667 <sup>b</sup>	.445	.433	.78854
3	.686 <sup>c</sup>	.470	.453	.77447

a. Predictors: (Constant), Export Intensity

b. Predictors: (Constant), Export Intensity, Years of International Involvement

c. Predictors: (Constant), Export Intensity, Years of International Involvement, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized	t	Sig.	Collinearity Statistics	
		B	Std. Error	Coefficients			Tolerance	VIF
				Beta				
1	(Constant)	4.301	.140		30.656	.000		
	Export Intensity	-3.806	.517	-.601	-7.360	.000	1.000	1.000
2	(Constant)	4.669	.163		28.610	.000		
	Export Intensity	-2.718	.563	-.429	-4.832	.000	.741	1.349
	Years of International Involvement	-.133	.035	-.337	-3.802	.000	.741	1.349
3	(Constant)	4.960	.211		23.471	.000		
	Export Intensity	-2.032	.641	-.321	-3.173	.002	.552	1.813
	Years of International Involvement	-.128	.034	-.327	-3.739	.000	.739	1.354
	Risk	-.147	.069	-.196	-2.117	.037	.659	1.517

a. Dependent Variable: Language Differences

All of the independent variables were included in the stepwise regression analysis except for the age of the company and education as they did not have a significant correlation at a 0.05 level.

**Table 3.11: Foreign Rules and Regulations**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665 <sup>a</sup>	.442	.436	.91833
2	.702 <sup>b</sup>	.493	.482	.88024

a. Predictors: (Constant), Export Intensity

b. Predictors: (Constant), Export Intensity, Years of International Involvement

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.836	.153		31.608	.000		
	Export Intensity	-4.918	.564	-.665	-8.718	.000	1.000	1.000
2	(Constant)	5.169	.182		28.377	.000		
	Export Intensity	-3.934	.628	-.532	-6.264	.000	.741	1.349
	Years of International Involvement	-.120	.039	-.262	-3.081	.003	.741	1.349

a. Dependent Variable: Rules and Regulations

All of the independent variables were included in the stepwise regression analysis except for the age of the company and education as they did not have a significant correlation at a 0.05 level.

**Table 3.12: Tariff Barriers**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.349 <sup>a</sup>	.122	.112	.62362

a. Predictors: (Constant), Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.658	.104		44.832	.000		
	Export Intensity	-1.396	.383	-.349	-3.644	.000	1.000	1.000

a. Dependent Variable: Tariff Barriers

All of the independent variables were included in the stepwise regression analysis except for the age of the company, years of international involvement and education as they did not have a significant correlation at a 0.05 level.

**Table 3.13:** Foreign Business Practices

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609 <sup>a</sup>	.371	.364	.65191
2	.638 <sup>b</sup>	.409	.406	.63592

a. Predictors: (Constant), Export Intensity

b. Predictors: (Constant), Export Intensity, Age of Company

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.343	.109		39.986	.000		
	Export Intensity	-3.010	.400	-.609	-7.518	.000	1.000	1.000
2	(Constant)	4.743	.196		24.223	.000		
	Export Intensity	-2.947	.391	-.596	-7.528	.000	.996	1.004
	Age of Company	-.037	.015	-.192	-2.427	.017	.996	1.004

a. Dependent Variable: Unfamiliar Business Practices

All of the independent variables were included in the stepwise regression analysis except for education as it did not have a significant correlation at a 0.05 level.

**Table 3.14:** Physical Distance

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646 <sup>a</sup>	.418	.412	.90770
2	.710 <sup>b</sup>	.544	.534	.84209
3	.727 <sup>c</sup>	.559	.554	.82512

a. Predictors: (Constant), Export Intensity

b. Predictors: (Constant), Export Intensity, Proactiveness

c. Predictors: (Constant), Export Intensity, Proactiveness, Years of International Involvement

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.417	.151		35.815	.000		
	Export Intensity	-4.627	.558	-.646	-8.299	.000	1.000	1.000
2	(Constant)	6.244	.247		25.270	.000		
	Export Intensity	-3.429	.595	-.479	-5.759	.000	.755	1.325
	Proactiveness	-.421	.103	-.338	-4.067	.000	.755	1.325
3	(Constant)	6.380	.250		25.549	.000		
	Export Intensity	-2.884	.633	-.403	-4.559	.000	.642	1.558
	Proactiveness	-.373	.104	-.300	-3.598	.001	.722	1.385
	Years of International Involvement	-.083	.037	-.187	-2.224	.029	.709	1.410

a. Dependent Variable: Physical Distance

All of the independent variables were included in the stepwise regression analysis except for the age of the company and education as they did not have a significant correlation at a 0.05 level.

**Table 3.15:** Expansion Undermining Existing Business

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.612 <sup>a</sup>	.375	.368	1.17412
2	.662 <sup>b</sup>	.469	.466	1.11903

a. Predictors: (Constant), Risk

b. Predictors: (Constant), Risk, Export Intensity

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.964	.292		23.835	.000		
	Risk	-.649	.086	-.612	-7.584	.000	1.000	1.000
2	(Constant)	6.965	.278		25.012	.000		
	Risk	-.458	.100	-.432	-4.572	.000	.662	1.511
	Export Intensity	-2.762	.845	-.309	-3.269	.002	.662	1.511

a. Dependent Variable: Expansion Undermining Base Operation

All of the independent variables were included in the stepwise regression analysis except for the age of the company and education as they did not have a significant correlation at a 0.05 level.

**Table 3.16:** Foreign Exchange Risk

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.491 <sup>a</sup>	.241	.233	1.28006
2	.544 <sup>b</sup>	.296	.281	1.23925

a. Predictors: (Constant), Years of International Involvement

b. Predictors: (Constant), Years of International Involvement, Proactiveness

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.836	.257		22.749	.000		
	Years of International Involvement	-.269	.049	-.491	-5.522	.000	1.000	1.000
2	(Constant)	6.594	.373		17.685	.000		
	Years of International Involvement	-.212	.052	-.386	-4.099	.000	.834	1.199
	Proactiveness	-.395	.145	-.257	-2.725	.008	.834	1.199

a. Dependent Variable: Foreign Exchange Risk

All of the independent variables were included in the stepwise regression analysis except education as it did not have a significant correlation at a 0.05 level.

**Table 3.17:** Competing with Local Competition in Foreign Markets

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.637 <sup>a</sup>	.406	.399	1.04397
2	.712 <sup>b</sup>	.507	.496	.95595

a. Predictors: (Constant), Risk

b. Predictors: (Constant), Risk, Years of International Involvement

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
		1	(Constant)	5.921			.260	
	Risk	-.615	.076	-.637	-8.092	.000	1.000	1.000
2	(Constant)	6.353	.257		24.700	.000		
	Risk	-.505	.074	-.523	-6.830	.000	.886	1.128
	Years of International Involvement	-.171	.039	-.338	-4.415	.000	.886	1.128

a. Dependent Variable: Competing with Local Competition in Overseas Markets

All of the independent variables were included in the stepwise regression analysis except the age of the enterprise and education as they did not have a significant correlation at a 0.05 level.

**Table 3.18: Matching Competitors Prices in Foreign Markets**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548 <sup>a</sup>	.300	.293	1.03322
2	.646 <sup>b</sup>	.417	.405	.94823

a. Predictors: (Constant), Years of International Involvement

b. Predictors: (Constant), Years of International Involvement, Risk

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.658	.207		22.498	.000		
	Years of International Involvement	-.253	.039	-.548	-6.420	.000	1.000	1.000
2	(Constant)	5.400	.255		21.165	.000		
	Years of International Involvement	-.196	.038	-.426	-5.116	.000	.886	1.128
	Risk	-.320	.073	-.363	-4.357	.000	.886	1.128

a. Dependent Variable: Difficulty in Matching Prices

All of the independent variables were included in the stepwise regression analysis except the age of the enterprise and education as they did not have a significant correlation at a 0.05 level.

# Appendix 4 – Distribution of Barrier Data

Shapiro-Wilk

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Cost of Expansion	.213	98	.000	.922	98	.000
Raising Finance	.244	98	.000	.886	98	.000
Identification of New Markets	.234	98	.000	.880	98	.000
Information to Analyse Markets	.211	98	.000	.914	98	.000
Unfamiliar Docs Procedures	.213	98	.000	.909	98	.000
Networks	.203	98	.000	.926	98	.000
Distribution Channels	.208	98	.000	.898	98	.000
Local Representation	.249	98	.000	.888	98	.000
Foreign Customer Attitudes	.242	98	.000	.855	98	.000
Language Differences	.278	98	.000	.873	98	.000
Rules and Regulations	.196	98	.000	.931	98	.000
Tariff Barriers	.348	98	.000	.784	98	.000
Unfamiliar Business Practices	.309	98	.000	.847	98	.000
Physical Distance	.169	98	.000	.927	98	.000
Competing with Local Competition in Overseas Markets	.179	98	.000	.937	98	.000
Difficulty in Matching Prices	.182	98	.000	.930	98	.000
Expansion Undermining Base Operation	.210	98	.000	.898	98	.000
Foreign Exchange Risk	.186	98	.000	.931	98	.000

a. Lilliefors Significance Correction



Skewness and Kurtosis

		Cost of Expansion	Raising Finance	Identification of New Markets	Information to Analyse Markets	Unfamiliar Docs Procedures	Networks	Distribution Channels	Local Representation	Foreign Customer Attitudes
N	Valid	98	98	98	98	98	98	98	98	98
	Missing	0	0	0	0	0	0	0	0	0
	Skewness	-.348	-.336	.069	-.056	.258	-.094	-.209	.237	.429
	Std. Error of Skewness	.244	.244	.244	.244	.244	.244	.244	.244	.244
	Kurtosis	-.248	-.338	-.246	.095	.533	-.622	-.136	-.014	.862
	Std. Error of Kurtosis	.483	.483	.483	.483	.483	.483	.483	.483	.483

		Language Differences	Rules and Regulations	Tariff Barriers	Unfamiliar Business Practices	Physical Distance	Competing with Local Competition in Overseas Markets	Difficulty in Matching Prices	Expansion Undermining Base Operation	Foreign Exchange Risk
N	Valid	98	98	98	98	98	98	98	98	98
	Missing	0	0	0	0	0	0	0	0	0
	Skewness	.687	.373	.544	-.302	-.182	-.233	.367	-.578	-.368
	Std. Error of Skewness	.244	.244	.244	.244	.244	.244	.244	.244	.244
	Kurtosis	.410	-.172	.301	.283	-.370	-.470	.465	-.589	-.685
	Std. Error of Kurtosis	.483	.483	.483	.483	.483	.483	.483	.483	.483

### Skewness and Kurtosis Ratio

Barrier	Test	Z Score (Skewness & Kurtosis Ratio)
1. Cost of Expansion	Skewness	-1.42
	Kurtosis	-0.05
2. Raising Finance	Skewness	-1.38
	Kurtosis	-0.70
3. Identification of New Markets	Skewness	0.28
	Kurtosis	0.51
4. Information to Analyse Markets	Skewness	-0.23
	Kurtosis	0.20
5. Unfamiliar Documents & Procedures	Skewness	1.06
	Kurtosis	1.10
6. Expanding without Networks	Skewness	0.39
	Kurtosis	-1.29
7. Distribution Channels	Skewness	-0.86
	Kurtosis	-0.28
8. Finding Local Representation	Skewness	0.97
	Kurtosis	-0.03
9. Foreign Customer Attitudes	Skewness	1.76
	Kurtosis	1.78
10. Language Differences	Skewness	2.82
	Kurtosis	0.85
11. Foreign Rules and Regulations	Skewness	1.53
	Kurtosis	-0.35
12. Tariff Barriers	Skewness	2.23
	Kurtosis	0.62
13. Foreign Business Practices	Skewness	-1.24
	Kurtosis	0.59
14. Physical Distance	Skewness	-0.75
	Kurtosis	-0.77
15. Expansion Undermining Base Operation	Skewness	-2.37
	Kurtosis	-1.22
16. Foreign Exchange Risk	Skewness	-1.51
	Kurtosis	-1.42
17. Competing with Local Competition in Foreign Markets	Skewness	-0.95
	Kurtosis	-0.97
18. Matching Competitors Prices in Foreign Markets	Skewness	1.50
	Kurtosis	0.92

# Appendix 5 – Questionnaire (English)

## Questionnaire: Looking at the Barriers Chinese Small to Medium Sized Enterprises Face When Expanding Domestically and Internationally

### **Important Information to be Read Before Completion of Questionnaire**

The aim of the research is to look at the various stages of domestic and international expansion that businesses go through. This will help researchers to understand the process and will lead to ways to make development easier in the future.

The questionnaire is designed to gather information about managers' thoughts on the stages or processes of domestic and international expansion. Even if your business does not trade internationally, or plan to, we are still interested in your views.

- It is important that **all** questions in **sections 1, 2, 3 and 4** are answered by **all** respondents.

**Important:-** In this questionnaire:-

- Expanding '**Domestically**' refers to operations that are based solely within China.
- Expanding '**International distribution using a distributor**' refers to export/supply through a Chinese based intermediary where your enterprise has no direct contact with the international market and requires only limited knowledge of the international market. This will include:
  - Export Agency
  - Chinese wholesaler/Licensed Exporter
  - A Collaborative or Joint venture

In each case your enterprise will have little, if any, direct contact with the overseas or international contact.

- Expanding '**Internationally using direct distribution**' refers to export/supply **directly** to the international or overseas customer and requires a greater international knowledge, contacts and communication.

Most of the questions are answered using three rating scales. The first one is for domestic expansion, the second for expanding internationally using a distributor and the third for direct international distribution. All questions should be answered and you should consider the whole scale to answer the questions. A sample scale is shown below.

<b>Not At All</b>		<b>Moderately</b>			<b>Greatly</b>	
1	2	3	4	5	6	7

In each case you should place a circle around the number that you feel best describes your attitude towards the question. All details will be coded and combined and individual responses will be anonymous. The questionnaire should take approximately ten minutes to complete.

Thank you for your help in completing the questionnaire.

**Section 1: Business Background – Please Answer all Questions Below**

1. What is the main activity of your company?  
Manufacturing   
Hotels/Restaurants   
Retail   
Distribution/Wholesale   
Professional Services   
IT/Telecommunications   
Construction   
Shipping   
Real Estate Activities   
Finance/Insurance   
Other
  
2. In what year was your business set up? \_\_\_\_
  
3. Please estimate the number of employees in:  
A) 2010 \_\_\_\_  
B) 2008 \_\_\_\_  
C) 2006 \_\_\_\_
  
4. Number of premises/branches in:  
A) 2010 \_\_\_\_  
B) 2008 \_\_\_\_  
C) 2006 \_\_\_\_
  
5. Approximate turnover in:  
A) 2010 \_\_\_\_  
B) 2008 \_\_\_\_  
C) 2006 \_\_\_\_
  
6. How would you describe your business? (More than one may be chosen)  
Local/Provincial   
National   
International
  
7. What percentage of your business is?  
A) Local/ Provincial \_\_\_\_%  
B) National \_\_\_\_%  
C) International Using a Distributer \_\_\_\_%  
D) International Direct Distribution \_\_\_\_%

**Section 2: Barriers to Expansion – All Respondents to Answer all Questions in this Section**

1. On a scale of 1-7, do you think that the financial cost involved in expanding your operation would inhibit the development of your business?

A) Expanding domestically

Not At All		Moderately				Greatly
1	2	3	4	5	6	7

B) Expanding Internationally using a distributor

Not At All		Moderately				Greatly
1	2	3	4	5	6	7

C) Expanding Internationally using direct distribution

Not At All		Moderately				Greatly
1	2	3	4	5	6	7

2. On a scale of 1-7, do you think you would find it difficult to raise the finance you need to?

A) Expand domestically

Not At All		Moderately				Greatly
1	2	3	4	5	6	7

B) Expand internationally using a distributor

Not At All		Moderately				Greatly
1	2	3	4	5	6	7

C) Expand internationally using direct distribution

Not At All		Moderately				Greatly
1	2	3	4	5	6	7

3. On a scale of 1-7, how difficult do you think it is to identify new market opportunities?

A) To expand domestically

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

B) To expand internationally using a distributor

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

C) To expand internationally using direct distribution

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

4. On a scale of 1-7, how difficult do you think it is to obtain and understand information on how to develop and operate in these new markets?

A) To expand domestically

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

B) To expand internationally using a distributor

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

C) To expand internationally using direct distribution

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

5. How difficult do you think it would be for you to deal with the unfamiliar procedures and documentation involved?

A) To expand domestically

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

B) To expand internationally using a distributor

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

C) To expand internationally using direct distribution

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

6. How difficult do you think it would be to expand without personal and business contacts to help?

A) To expand domestically

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

B) To expand internationally using a distributor

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

C) To expand internationally using direct distribution

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

7. How much of a problem do you think developing distribution channels might be when expanding?

A) Domestically

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

B) Internationally using a distributor

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

C) Internationally using direct distribution

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

8. How difficult do you think it is to find reliable local representatives when expanding?

A) Domestically

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

B) Internationally using a distributor

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

C) Internationally using direct distribution

Not Difficult At All		Moderately Difficult			Extremely Difficult	
1	2	3	4	5	6	7

9. How difficult do you think it is to overcome different customer attitudes when expanding?

A) Domestically

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

B) Internationally using a distributor

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

C) Internationally using direct distribution

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

10. How difficult do you think it is to overcome local language differences when expanding?

A) Domestically

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

B) Internationally using a distributor

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

C) Internationally using direct distribution

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

11. How difficult is it to understand new regulations when expanding?

A) Domestically

Not Difficult  
At All

Moderately  
Difficult

Extremely  
Difficult

1	2	3	4	5	6	7

B) Internationally using a distributor

Not Difficult  
At All

Moderately  
Difficult

Extremely  
Difficult

1	2	3	4	5	6	7

C) Internationally using direct distribution

Not Difficult  
At All

Moderately  
Difficult

Extremely  
Difficult

1	2	3	4	5	6	7

12. How difficult do you think it is to overcome tariff barriers when expanding?

A) Domestically

Not Difficult  
At All

Moderately  
Difficult

Extremely  
Difficult

1	2	3	4	5	6	7

B) Internationally using a distributor

Not Difficult  
At All

Moderately  
Difficult

Extremely  
Difficult

1	2	3	4	5	6	7

C) Internationally using direct distribution

Not Difficult  
At All

Moderately  
Difficult

Extremely  
Difficult

1	2	3	4	5	6	7

13. How difficult do you think it is to understand the different ways in which business is conducted when expanding?

A) Domestically

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

B) Internationally using a distributor

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

C) Internationally using direct distribution

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

14. How much of a barrier do you think physical distance is when considering expansion?

A) Domestically

**Not A Barrier  
At All**

**A Moderate  
Barrier**

**An Extreme  
Barrier**

1	2	3	4	5	6	7

B) Internationally using a distributor

**Not A Barrier  
At All**

**A Moderate  
Barrier**

**An Extreme  
Barrier**

1	2	3	4	5	6	7

C) Internationally using direct distribution

**Not A Barrier  
At All**

**A Moderate  
Barrier**

**An Extreme  
Barrier**

1	2	3	4	5	6	7

15. How concerned do you think you would be about your ability to compete?

A) Domestically

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

B) Internationally using a distributor

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

C) Internationally using direct distribution

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

16. How concerned do you think you would be in matching your competitors' prices?

A) Domestically

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

B) Internationally using a distributor

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

C) Internationally using direct distribution

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

17. How concerned do you think you would be about putting at risk your base operation due to your expansion?

A) Domestically

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

B) Internationally using a distributor

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

C) Internationally using direct distribution

**Not A Concern  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

18. How concerned would you be with foreign currency exchange risks when trading internationally?

A) Internationally using direct distribution

**Not Concerned  
At All**

**A Moderate  
Concern**

**An Extreme  
Concern**

1	2	3	4	5	6	7

19. Overall how do you rate the difficulty when expanding?

D) Domestically

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

E) Internationally using a distributor

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

F) Internationally using direct distribution

**Not Difficult  
At All**

**Moderately  
Difficult**

**Extremely  
Difficult**

1	2	3	4	5	6	7

Section 3: Additional Background Information – Please Answer all Questions

1. On a scale of 1-7, how difficult do you think it would be to obtain an export license to trade directly with customers internationally?

<b>Not Difficult At All</b>		<b>Moderately Difficult</b>			<b>Extremely Difficult</b>	
1	2	3	4	5	6	7

2. On a scale of 1-7, how competitive is the domestic in which you trade?

<b>Not Competitive At All</b>		<b>Moderately Competitive</b>			<b>Extremely Competitive</b>	
1	2	3	4	5	6	7

3. On a scale of 1-7, how competitive do you think the domestic market in which you trade will become in three years time?

<b>Not Competitive At All</b>		<b>Moderately Competitive</b>			<b>Extremely Competitive</b>	
1	2	3	4	5	6	7

4. What are your business goals in the next three years? (You may tick more than one)

- Reduce/Consolidate the business
- Keep the business the same size
- Moderate expansion of the business locally/provincially
- Moderate expansion of the business nationally
- Moderate expansion of the business internationally INDIRECTLY
- Moderate expansion of the business internationally DIRECTLY
- Large expansion of the business locally/provincially
- Large expansion of the business nationally
- Large expansion of the business internationally INDIRECTLY
- Large expansion of the business internationally DIRECTLY
- Unsure

5. On a scale of 1-7, in general how much risk is your business prepared to take in order to maximise profits?

<b>Low Risk</b>		<b>Medium Risk</b>			<b>High Risk</b>	
1	2	3	4	5	6	7

6. To what level is the manager in the business educated?

- Compulsory Education
- Secondary Education
- Degree
- Postgraduate

7. Where has the manager learnt his/her business knowledge? (More than one can be chosen)

- Knowledge passed down from previous decision maker
- On the job training
- Self taught
- Business education
- Working with another company

8. How are you aware of business and market opportunities?

- Through Yourself
- Consultant
- Business Contacts
- Your Family
- State advice

9. In the previous three years have you sought any business advice?

- Yes
- No

10. If you needed business advice where would you go?

- Business Consultant
- Regional Development Agency
- Bank
- Business Acquaintances
- Trade Association
- Your Family
- Your Suppliers
- Other Business Owners
- Other

Section 4: Business Involvement – Please Answer all Questions

1. What percentage of your business activity is?  
A) International **indirect through a distributor** \_\_\_%  
B) International **direct distribution** \_\_\_%
  
2. If you trade internationally using a distributor which of the following types of intermediary do you use? (You may chose more than one)  
Export Agency   
Chinese based wholesaler/Licensed Exporter   
A Collaborative or Joint venture   
Other   
Not applicable
  
3. How many years ago was your first international experience? \_\_\_\_
  
4. As a business do you?  
Actively seek international orders   
Respond directly but only to foreign approaches   
Get involved only indirectly to meet orders through an intermediary   
Occasionally trade internationally when it is convenient   
Only trade within the domestic market
  
5. What percentage of your international trade is conducted with?  
A) EU \_\_\_%  
B) South America \_\_\_%  
C) USA/Canada \_\_\_%  
D) Asia \_\_\_%  
E) India \_\_\_%  
F) Africa \_\_\_%  
G) Australia \_\_\_%  
H) No International trade
  
6. If you have been involved in international distribution using a distributor, but no longer do so, then which of the following apply? (You may tick more than one)  
A) It was not profitable   
B) It was difficult to meet the product specification   
C) It was difficult to meet orders in time   
D) It stretched business resources   
E) Problems with the distributor or intermediary   
F) It damaged existing business   
G) The overall risk was too great   
H) Other

7. If you have been involved in international trade using direct distribution, but no longer do so, then which of the following apply? (You may tick more than one)
- A) It was not profitable
  - B) It was difficult to meet product specification
  - C) It was difficult to meet orders in time
  - D) It was difficult to meet customer expectations
  - E) It was difficult to communicate with the customer
  - F) It damaged existing business
  - G) It was difficult dealing with overseas rules and regulations
  - H) It was difficult to maintain effective distribution channels
  - I) It was difficult communicating in foreign languages
  - J) The overall risk was too great
  - K) Other

# Appendix 6 – Questionnaire (Chinese)

## 调查问卷

### 中国中小企业国内国际扩张障碍因素分析

(填写问卷前请阅读以下重要信息)

本问卷的目的是研究企业国内和国际扩张所要经历的不同阶段，这将帮助调查人员了解此进程，并帮助企业探求一条未来发展的便捷之路。

本问卷旨在收集国际国内扩张有关阶段或业务进程中经理人的观点，即使你的企业没有开展国际贸易或尚无此计划，我们仍然对你的看法感兴趣。

问卷1-4部分问题邀请所有参与调查人员填写，注意：

1、本问卷中国内扩张指在中国国内进行的经营活动；

2、国际分销扩张指你所在的企业没有与国际市场直接接触，只是通过中国国内的分销商出口/供货，他们对国际市场了解甚少，包括：出口代理，中国批发商/许可出口商，中外合作或合资企业，而且你所在的企业几乎没有与海外或国际方直接接触；

3、国际直销扩张指企业直接向国际或海外的客户出口/供货，这需要足够的国际贸易知识，客户关系和沟通能力。

以下大部分问题请通过三类评分尺度衡量作答，第一部分用于国内扩张，第二部分用于国际分销扩张，第三部分用于国际直销扩张。所有问题需全盘考虑作答，样表如下：

Not At All	Moderately					Greatly
1	2	3	4	5	6	7

请根据你认为的最适宜的情况在对应的数字上画圈，本问卷为编码不记名式，填写问卷约需 10 分钟。感谢你的参与。

## 第一部分：企业背景

(请回答以下所有问题)

**1-1** 你公司的主要业务类型是什么？

- 制造业
- 宾馆/饭店业
- 零售业
- 销售/批发行业
- 专业性劳务
- IT业/通讯
- 建筑行业
- 运输业
- 房地产业
- 金融业
- 其他

**1-2** 你所在企业的是那一年创建的？ \_\_\_

**1-3** 请估算你企业对应年度的员工人数

- A) 2010 \_\_\_
- B) 2008 \_\_\_
- C) 2006 \_\_\_

**1-4** 你企业对应年度的分支机构(下属机构)数量

- A) 2010 \_\_\_
- B) 2008 \_\_\_
- C) 2006 \_\_\_

**1-5** 对应年度的最大营业额

- A) 2010 \_\_\_
- B) 2008 \_\_\_
- C) 2006 \_\_\_

**1-6** 如何评价你的企业，可多选

地方性企业

国内企业

国际化企业

**1-7** 业务所占比例

A) 本省业务比例\_\_\_\_%

B) 国内业务比例\_\_\_\_%

C) 使用国际分销商出口的比例\_\_\_\_%

D) 使用国际直销出口的比例\_\_\_\_%

## 第二部分，扩张障碍因素

(请所有参与调查者完整填写该部分问题)

**2-1** 你是否认为企业扩张所导致的财务成本会制约企业发展，请用1-7级来描述其影响程度

**A) 国内扩张**

毫无影响	有一定影响				影响很大	
1	2	3	4	5	6	7

**B) 国际分销扩张**

毫无影响	有一定影响				影响很大	
1	2	3	4	5	6	7

**C) 国际直销扩张**

毫无影响	有一定影响				影响很大	
1	2	3	4	5	6	7

**2-2** 你认为融到所需资金有困难，请用1—7级来描述困难程度

**A) 国内扩张**

毫无影响	有一定影响				影响很大	
1	2	3	4	5	6	7

**B) 国际分销扩张**

毫无影响	有一定影响				影响很大	
1	2	3	4	5	6	7

**C) 国际直销扩张**

毫无影响	有一定影响				影响很大	
1	2	3	4	5	6	7

2-3 你认为识别新的市场机会有多困难，请用1—7级来描述困难程度

A) 国内扩张

不困难			有些困难			极端困难
1	2	3	4	5	6	7

B) 国际分销扩张

不困难			有些困难			极端困难
1	2	3	4	5	6	7

C) 国际直销扩张

不困难			有些困难			极端困难
1	2	3	4	5	6	7

2-4 你认为获得和了解有关在新兴市场如何开发及运营的信息有多困难，用1-7级来描述困难程度

A) 国内扩张

不困难			有些困难			极端困难
1	2	3	4	5	6	7

B) 国际分销扩张

不困难			有些困难			极端困难
1	2	3	4	5	6	7

C) 国际直销扩张

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-5 处理不熟悉的程序和文件的困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-6 没有个人和企业关系提供帮助，企业扩强的困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-7 扩张过程中，发展分销渠道的困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-8 扩张过程中，找到可靠的本地代理的困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-9 扩张过程中，应对不同客户的态度困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-10 扩张过程中，理解不同地区方言的困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-11 扩张过程中，理解新的规定的困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-12 扩张过程中，克服关税壁垒的困难程度**

**A) 国内扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难			极端困难
1	2	3	4	5	6	7

**2-13 扩张过程中，理解不同商业行为的困难程度**

**A) 国内扩张**

不困难			有些困难		极端困难	
1	2	3	4	5	6	7

**B) 国际分销扩张**

不困难			有些困难		极端困难	
1	2	3	4	5	6	7

**C) 国际直销扩张**

不困难			有些困难		极端困难	
1	2	3	4	5	6	7

**2-14 考虑扩张时，距离作为一种壁垒的程度**

**A) 国内扩张**

不关注			比较关注		无法突破	
1	2	3	4	5	6	7

**B) 国际分销扩张**

不关注			比较关注		无法突破	
1	2	3	4	5	6	7

**C) 国际直销扩张**

不关注			比较关注		无法突破	
1	2	3	4	5	6	7

**2- 15 你对你的竞争能力的关注程度**

**A) 国内扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**B) 国际分销扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**C) 国际直销扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**2-16 你对与竞争对手价格上竞争的关注程度**

**A) 国内扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**B) 国际分销扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**C) 国际直销扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**2-17** 你对因扩张而可能导致对常规经营带来风险的关注程度

**A) 国内扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**B) 国际分销扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**C) 国际直销扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

**2-18** 开展国际贸易时你对可能存在的外汇汇率风险的关注程度

**A) 国际直销扩张**

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

### 第三部分：补充背景信息

(请完整填写)

#### 3-1 获得与国外客户直接贸易的出许可的困难程度

不关注			有些关注		非常关注	
1	2	3	4	5	6	7

#### 3-2 你公司所在行业的国内竞争的程度

无竞争			适度竞争		竞争激烈	
1	2	3	4	5	6	7

#### 3-3 年内，你公司所在国内市场竞争程度的变化

无竞争			适度竞争		竞争激烈	
1	2	3	4	5	6	7

#### 3-4 今后三年你所在企业的经营目标（可多选）

- 减少/巩固业务
- 保持现状
- 适度扩张本地业务
- 适度扩张国内业务
- 适度扩张国际分销业务
- 适度扩张国际直销业务
- 大规模扩张本地业务
- 大规模扩张国内业务
- 规模扩张国际分销业务
- 大规模扩张国际直销业务
- 不确定

#### 3-5 为了利润最大化,你企业准备承受风险的程度

低风险			中等风险		高风险	
1	2	3	4	5	6	7

**3-6 你所在企业经理的教育背景**

- 义务教育(高中)
- 中等教育(专科)
- 大学及以上
- 硕士研究生及以上

**3-7 管理者从何处学习管理经验（可多选）**

- 通过前任管理者传授
- 通过在职培训
- 通过自学
- 通过商业教育
- 通过与其他企业的合作

**3-8 你如何识别商业和市场机会的？**

- 通过自己
- 通过顾问
- 通过业务往来
- 通过家族
- 通过国家指导

**3-9 最近的3年里，你是否寻求过任何商业咨询？**

- 是
- 否

**3-10 如果需要商业咨询，你会和哪联系？**

- 商业顾问
- 地方发展指导机构
- 银行
- 生意伙伴
- 同业协会
- 家族成员
- 供应商
- 其他企业的业主
- 其他

## 第四部分：商业投入

(请完整填写)

### 4-1 你公司商业活动的比例

- A) 国际分销比例\_\_\_\_\_%
- B) 国际直销比例\_\_\_\_\_%

### 4-2 你所在企业是在多少年前开展国际业务的？\_\_\_\_\_

### 4-3 作为一个企业，你如何做？

- 积极寻求国际订单
- 单纯满足国外订单需求
- 通过中间商间接获得国外订单
- 仅在国内市场开拓业务

### 4-4 你单位开展的国际贸易在不同国家所占比例

- 欧盟国家\_\_\_\_\_%
- 南美洲\_\_\_\_\_%
- 美国/加拿大\_\_\_\_\_%
- 亚洲\_\_\_\_\_%
- 印度\_\_\_\_\_%
- 非洲\_\_\_\_\_%
- 澳大利亚\_\_\_\_\_%
- 没有国际贸易\_\_\_\_\_%

### 4-5 如果你的企业已经开展国际分销业务，但不再这样做的话，会存在下列哪种情况(可多选)

- A) 无利润
- B) 满足产品技术规格存在困难
- C) 按时交付订单存在困难
- D) 致力于延伸商业资源
- E) 存在分销商或中间商的问题
- F) 对现有经营产生不利影响
- G) 存在巨大风险
- H) 其他

4-6 如果你的企业已经开展国际直销业务，但不再这样做的话，会存在下列哪种情况（可多选）

- A) 无利润
- B) 满足产品技术规格存在困难
- C) 满足产品技术规格存在困难
- D) 满足客户期望有困难
- E) 与顾客沟通有困难
- F) 已对现有经营产生不利影响
- G) 应对国外规则惯例存在困难
- H) 维持有效的分销渠道存在困难
- I) 存在外语沟通障碍
- J) 存在巨大风险
- K) 其他