The Drives of Internationalization of Chinese Small and Medium Enterprises

An empirical study of Wenzhou footwear SMEs

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Abstract

Business internationalization is an inevitable trend. As the development of globalization, significant challenges have to be taken by SMEs. In order to cater to the revolution of technology, small and medium-sized enterprises should continue to develop the domestic and foreign markets in order to survive in the fierce competition and achieve long-term development.

Previous researchers have paid attention to exporting activities of SMEs in the internationalization operations. After reviewing the relevant theory, this paper finds that previous research also focused on the process of internationalization. To some extent, it ignored the internationalization drivers. Thus, there has been less focus on other factors that drive SMEs grow globally. In accordance with Etemad (2004) and some other scholars' point of view, this research chooses to study the important drivers in the development of the internationalization of SMEs. This paper builds a model based on push and pull perspective with the entrepreneurial orientation, human capital, the intensity of competition and niche market opportunities, which are incorporated into the model to study their impact on the degree of internationalization. Moreover, the study takes advantage of China’s SME data to make a test. In addition, this paper utilizes two case studies to study the internationalization of Wenzhou footwear enterprises.

Keywords: Internationalization; drivers; international performance: small and medium-sized enterprise, Wenzhou, footwear industry.
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1 Introduction

1.1 SMEs growth in the globalization

Globalization is defined as a significant feature in the contemporary era (Audretsch and Thurik, 2001). Simultaneously, economic globalization is an inevitable movement from the local or national sphere to an international or global orientation (Audretsh, 2003). The driving power underlying globalization is the creation of technological and economic development (Buckley, 1997). Economic globalization has a significant effect on enterprises as well as providing opportunities and niche markets for the internationalized operation of enterprises (Naldi, 2008). With the start of economic globalization, internationalization has become an important strategy for firms to achieve growth (Zeng et al., 2009).

Globalization is not just an issue for big firms but also for small to medium-size enterprises (SMEs). Audretsh et al. (2001) claim that it has impacted SMEs in two significant ways. The first is to support the transnational activities of SMEs, which facilitate competition with overseas companies in the worldwide supply chains system. As a result of globalization, it becomes easier for SMEs to expand their international business and transitional activities, which range from export to participation in the global value chain to foreign countries investment (Grandinetti & Mason, 2012). It makes a profound impact on enterprises in various countries, such as firms originally from developing countries China (Cardoza & Forne, 2011). Meanwhile, Naldi (2008) also declares that globalization has affected the growth of SMEs. It increases the established transactions of SMEs due to the technology innovation and market deregulation. Evans et al. (2008) show that many factors may motivate international activities SMEs in a global economy, such as an international customer who needs global service. The second aspect is to differentiate the roles of SMEs in the national and international economies (Audretsh et al., 2001). Various products and available service to consumers pose competition and challenges to SMEs (Naldi, 2008). That leads SMEs to grow from the domestic market to the global market with a learning process (Armario et al., 2008).

1.2 The internationalization of Chinese SMEs

Globalization has transferred the competitive advantage to the developing countries (Audretsch and Thurik, 2001). China’s access to WTO is the first step of economic globalization (Zeng and Williamson, 2003). Firms from China are internationalizing into new multinational enterprises (Söderman et al., 2007). Since national competition
has increased, large numbers of Chinese firms are likely to be attracted to new markets (Söderman et al., 2007). It has also happened because the Chinese SMEs are increasingly going from competing on the domestic stage to competing on the international market (Buckley et al., 2007). However, in China, SMEs face different conditions compared with larger firms with global aims (Zeng and Williamson, 2003). These SMEs are not mature enough to compete overseas with multinational companies (Wei, 2009). Furthermore, Evans et al. (2008) describe different factors that hinder the Chinese SMEs’ internationalization, which could be a lack of knowledge and resource to the international expansion and managers’ attitude to an international business. Hutchinson et al. (2007) mention government and political regulations as well as cultural differences in global market that have influence on the internationalization process of Chinese SMEs.

The rise of the Chinese economy offers an opportunity to extend the previous research on small firms (Siu & Kirby, 1998). One of the most interesting research areas on this topic is the footwear industry. The average production cost in intensive labour industries such as footwear industries continues to rise in developed countries (wei, 2009; he 2011). Meanwhile, He (2011) highlighted that “As a major center in the world’s largest footwear producing and exporting country, China is trying to transform its labour intensive manufacturing industry into a more competitive and internationalized one”. Footwear production is a high degree of internationalization and standardization business. It has become more and more important to explore the international market and implement the international business (Evans et al., 2008). Going global is always full of temptation opportunities and challenges. How to develop international market more efficiently becomes enterprises’ obsession (Lu & Beamish, 2001). However, many uncertainties could happen in the internationalization process. Wenzhou is one of the major footwear industrial cities that are also going to face challenges (He, 2011). They may have competition from overseas and look to expand to international markets (Winch & Bianchi, 2006). As a result, internationalization as a key focus of the enterprises is getting more and more attention from Wenzhou shoe enterprises.

1.3 Problem discussion

Conventional perception is that SMEs were considered as less efficient than larger counterparts (Audretsh et al., 2001, Vernon, 1966). The globalization would provide a hostile environment to SMEs and the increasing costs of globalization would be a burden for SMEs (Caves et al., 1982). For smaller Chinese firms, it is both a challenge and risk entering the international market because of the limited economic and managerial resource (Wei, 2009). Chandler et al. (2009) further concluded that firms have to be significant to compete in the global environment. SMEs are considered as less competitive than larger firms in the development of international market (Naldi, 2008). A number of economists acknowledged that smaller firms were
thought to be a disadvantage compared to larger ones (Buckley et al., 2007). However, more and more Chinese small enterprises start to contend overseas market due to fierce competitiveness of enterprises and national market saturation (Söderman et al., 2008). The transition from the national firm to the multinational firm is a dynamic process for all sizes of firms (Evans et al., 2008). During the process of going global, some SMEs are successful while many fail. The empirical study shows that the success in domestic business does not mean that growing can be done successfully (Zeng et al., 2009; Winch & Bianchi, 2006). Knight and Liesch (2002) describes SMEs with limited resources are more vulnerable in the international business environment that may lead to failure. Buckley (1997) explained that the failure of SMEs might be more costly in related to large enterprises because the proportion of resources allocation to global investment is greater in SMEs. In fact, no steadfast conclusion has been reached as to why so many small firms fail.

In a word, there are significant contributions in clarifying the high growth process and business strategy of SMEs internationalization (Evans et al., 2008; Hutchinson and Barry Quinn, 2012; Lee et al., 2012; Li et al., 2004). In addition, much attention has been focused on the international expansion of small technology-based firms and the growth of SMEs (Sapienza et al., 2006, Lu et al., 2006, Filatotchev et al., 2009, Sedoglavich, 2012). However, most SMEs are falling someplace in the middle of being local with small size and being global with high-speed growth (Naldi, 2008). Certainly, these kinds of Chinese SMEs are also worthwhile to research. Researchers have paid more attention to exporting activities of SMEs (Cavusgil, 1984, Wolff et al., 2000, Cassiman & Golovko, 2011). Thus, there has been less focus on other factors that drive SMEs grow globally in particular marketing, research and development, purchasing and production, which could be a limitation because the internationalization of SMEs needs to participate in the whole value chain process (Agndal, 2004). This gap in previous research means that research is needed to be highlighted the remaining unanswered parts. China, with its quickly growing SMEs’ sector, provides a particularly interesting perspective. Against the background of this discussion, the overall purpose of this paper is to identify critical factors, which drive Chinese footwear SMEs internationalization by using theories and empirical study.

- What factors are the drivers on international expansion of SMEs from Chinese footwear industry?
2 Theoretical Framework

2.1 Internationalization of SMEs

According to Liu and Wong (1992), small and medium sized firms (SMEs) differ from large firms in terms of financial, operating and particular managerial characteristics and the barriers of SMEs international development contains limited resource from aforementioned perspective (Shuman and Seeger, 1986). However, small firms tend to be more innovative and creative than large counterparts. Larger companies are more complex in their organization and structure as well as the decision-making process, which is not to mean that small firms are simple versions of larger firms. Nonetheless, according to McAuley (2001), SMEs also exhibit complex attitudes, behavior and decision-making depending on many factors. Small firms are perceived as vulnerable but valuable entities, important for economy and social society (Lu & Beamish, 2001).

There are some literatures that focus on how small firms competes with large firm when it comes to the international expansion. SMEs cannot do traditional marketing because of the limitations of resources that are inherent to SMEs or owners behave differently from traditional marketing decision-making process in large companies (Burckley et al., 2007). Due to the limit resources, SMEs have more challenge to overcome during the high-risk foreign market expansion internationalization process (Ruzzier et al., 2006). In addition, they may have insufficient financial and managerial resources as well as issues related to technology and product innovation in the internationalization process (He, 2011). According to Morgen and Katsikeas (1997), strategic, operational, informational and process-based restrictions stand in the way of SMEs international development. Karagozoglu and Lindell (1998) also stated that lack of managerial competence and knowledge could be significant barriers for SMEs internationalization. Importance of recourses or capabilities, such as manager personal business skills, adds challenge to the environment (Zahra et al., 2001). Papadopoulos (1987) argued that international SMEs lack of ability to grow and gain expertise in the domestic market before internationally expanding and they have difficulty in finding international markets. According to Hollander (1970), distinguishing the product range from that of indigenous competitors is important for both international and national small firms. Spannagel (1993) come to the same conclusion that is small and medium-sized firms should contrast with larger firms in their product offering in terms of their exclusivity, quality and price. According to Feigenbaum (1993) and Simpson and Thorpe (1996) small firms that focus on one merchandise category and have brand name recognition are more likely to succeed because “they focus on a narrow group of products, which making it easier to adjust to local tastes and fill gaps in international retailing” (Feigenbaum, 1993, P4).
However, Vida et al. (2000) argue that the product distinction alone is not enough to guarantee success for the global retailer. Manolova et al. (2002) also stated that it is important to set up personal factors such as international business skills, variation between firms and industries and perception towards environment.

In recent years, SMEs play an important role in the international market (Hutchinson & Quinn, 2012). Internationalization is described as a strategy that a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets (Vásquez, Fernando & Doloriert, 2011; Zucchella & Denicolai, 2007). Coviello and McAuley (1999: 225) defined internationalization as the process that firms could direct and indirect increase their influence of international transaction and handle transactions in other countries. International activity includes exporting; franchising; licensing; having a manufacturing factory in other country; owning a service or sale center abroad; merger or acquisition and joint venture or strategic alliance (Anderson et al., 2001). SMEs need to develop first in the domestic market as a base to go to the global market, which provide compensation for an extra cost of internationalization (Boisot & Meyer, 2008). Besides, firms that product in the domestic market take space of whole national market, which makes them look for new opportunities to expand market (Svetličič et al., 2007). During this stream, Armario et al. (2008) point out that SMEs focus on the internal factors in the beginning period of internationalization. The literatures identified “Uppsala model” as a framework on organization behavior theory (Johanson & Vahlne 1977). This model explains the characteristic’s internalization process of companies (Johanson & Vahlne 2009). Researchers suggest that firms should choose the optimal model to enter a new market through investigating both cost and risk and owned resources based on market characteristics (Armario et al., 2008, Johanson & Vahlne, 2009). The Uppsala model also mentioned that firms should focus on markets, which it is familiar with or already successful during the internationalization process (Johanson & Vahlne 1977). Companies are limited by lack of information or shortage of resources that increase the possibility of uncertainty (Armario et al., 2008). Although, in last 5 to 10 years, empirical studies find out firms do not increase in an incremental process. They are more often starting international transaction right from their birth time that is the so-called born global theory (Knight and Cavusgil, 1996; Sharma and Blomstermo, 2003). This new type of internationalization has a positive impact on the global market.

2.2 The rationale for Chinese SMEs internationalization

With the increased competition among domestic and foreign enterprises in the mainland over the last decade, Chinese manufacturing firms tend to explore new markets (Zeng et al., 2009). Research studies show that the global process is a challenge for manufacturing companies in China (Zeng and Williamson, 2003). Many factors have been identified in the previous research that would affect their
performance of Chinese SMEs in the internationalization (Bianch & Winch, 2006; Evans et al., 2008; Zeng et al., 2009). The organizational factors are related to internal operating of companies including resources (finance and knowledge), cost, and management experience (Zeng et al., 2009). These internal factors assist SMEs, especially firms in China, to gain an international reputation and brand perception and discover own advantages on new markets to increase profit and sales volume (Söderman et al., 2007, Child & Rodrigues, 2005). Companies’ size is also a significant factor during the internationalization process, because resources have a close connection with companies’ size (Dunning, 1980). As mentioned by many researchers (Söderman et al., 2007, Child & Rodrigues, 2005, Manolova & Brush, 2002), lacks of resources are the critical factors that impede the international expansion of SMEs. Chinese firms are not only facing lack of human resource, physical resource, knowledge resources, capital resources, but also being afraid of risks (Chandler et al., 2009). Therefore, Researchers propose Chinese firms to improve technology and product quality or customer service to achieve product and cost efficiency as well as to improve international experience (Zeng et al., 2009).

Peters and Waterman (1982) suggested Chinese firms should be “sticking to the knitting,” which means not to spread out essential resource widely into unaware parts and focus on the core business to get maximum investment returns when the resources are limited.

One of the most active countries among the developing countries in the internationalization process is China (Wei, 2009). Even though, China is still considered as a centralized country, there are vivid growths in exportable consumer products such as footwear and clothes, and SMEs in Wenzhou province are the leaders in this sector (He, 2011). A cluster of shoemaking enterprises expand their markets across China and overseas. The orthodox districts model is used by researchers to emphasize local capacities and assets on industrial districts where is known as “economies of agglomeration” (Wei, 2009). Wenzhou is the urban economic area that the small shoe making clustered firms obtains benefits by local network and learning with each other (Schmitz, 1995b; Staber, 2001; Wei, 2009). However, this model is failed to consider the effects of internationalization and the challenges caused by large companies (Whitford 2001; Hadjimichalis 2006; Wei et al., 2007). Nowadays, Wenzhou SMEs are facing the competition of local firms and larger firms from overseas.

There are three ways of Wenzhou footwear SMEs moving into overseas. To begin with exporting, it is not necessary to be innovative or to be expertise to accomplish international trading (Zeng et al., 2009). Thus, it is the most common ways for Chinese SMEs’ internationalization. The second way is known as original equipment manufacturing (OEM) or sub-contracting production for global firms (Child & Rodrigues, 2005). Even though containing exporting activities, it has helped Chinese SMEs in the way of international management and technology development for overseas market (Child & Rodrigues, 2005). The third way is to expand the global
market by foreign direct investment (FDI) (Buckley et al., 2007). Managers might have the obligation to manage the organization once purchased assets overseas or set up firms (Child & Rodrigues, 2005). Because it is a higher-level of internationalization for Chinese SMEs, the Chinese foreign direct investment is still an incomplete progress (Buckley et al., 2007).

2.3 Internationalization drivers

There are different reasons for firms to go overseas. In terms of Uppsala model, firms that started with a home market focus on the internationalization process and then expand overseas steadily (Johanson & Vahlne, 1977). It implies that firms would expand the global market when the domestic market is achieved at saturation point and might lose the opportunities to growth (Wei, 2009, Evans et al., 2008). The well-know eclectic theory by Dunning (1980) explains three motives of firms’ international involvement: brand name, direct export and investment, resource transfer. Child and Rodrigues (2005) claim that many Chinese SMEs go global to get assets to help them overcome difficulties and disadvantage. Firms obtain assets in the area of branding, technology, intentional management experience (Child and Rodrigues (2005). On the contrary, Dunning (1980) describes that the internationalization is motivated by firms to exploit markets and advantages. Researcher Etemad (2004) proposes an integrative framework to reflect the influential forces of the internationalization process (Figure 1). The following types of drivers for internationalization are mentioned in the literature (Etemad, 2004; Alexander, 1997; Wrigley et al., 2005; Hutchinson et al., 2007): push/ reactive and pull /proactive drivers.
2.3.1 Factors pushing SMEs’ Internationalization process

Push/ reactive factors are related to adverse market situations such as low market growth, increased market competition and a saturated market. Etemand (2004) identified “push force is a set of units or (drivers) that are internal to a firm and exert pressure on the firm from the inside to internationalization.” Karagozoglu and Lindell (1998) identified that exporting is a natural way to extend international market for firms. It is also growth strategies that maintain sales for firms when sales of home
markets are falling (Hauge and Havnes, 2001). Managers of SMEs also seek to engage in the internationalization process. Alexander (1997) noted that the push factors of the domestic market are considered as significantly important.

- The characters of managers

At the stage of pre-internationalization, managers start to think about ‘whether,’ ‘how’ or ‘where’ to internationalize. The research by Anderson et al. (2001) identified that the personality of managers has a strong influence on the initial internationalization decision. The key issues during the pre-internationalization process are the ability of owners to have a global mission and vision with strategic goals and positive attitude towards challenges (Buckley, 1989; Chetty and Hamilton, 1996; Tonge et al., 1998). Hutchinson et al. (2007) furthermore point out the characteristics of managers and the changes in ownership of firms are other internal motivations in the SMEs internationalization. The leadership and ambition of directors such as a global vision drive the success of the organization, and the personality of the SMEs founders are influential during the international decision-making process (Evans et al., 2008). The voice of directors has a significant impact on decision-making and the operation process (Keogh and Evans, 1998). Managers who want to lead a cross-cultural working environment and set up international mind-set within the company during the initial stages of internationalization (Zahra et al., 2001). However, time pressures and restricted resources may stress SME to think beyond strategic and operational problems. SME managers must cope with skill deficiencies linked to strategic planning, marketing management and wider business structure (Welch, 1996).

The intention of managers to internationalization depends on the perceptions of risks and the beliefs of opportunities, which could be one important internationalization driver (Armario et al., 2008). Zahra et al. (2001) also underline that there is a positive relationship between a manager’s international orientation and firms’ international expansion. In addition, management’s attitudes and intentional experiences are the main determinant characteristic of internationalization (Evans et al., 2008). Managers have to decide which strategic option to use when entering a new market on the early stage. Huff and Robinson (1994) suggested that the strategic decision made by managers has a substantial impact on long-term development of firm performance. Managers shape internally cognitive representations that are the result of understanding and experiencing the environment in order to adapt to the complicated surrounding environment. Managers pay attention to certain information that they believe to be important to make decisions and measure performance based on this information.

- Barriers to growth

In the economic globalization process, SMEs are facing unprecedented pressure from international competition (Dunning, 1980). The organization may face a problem that has barriers to increase in the current market according to Keogh and Evans (1998).
Due to the regional differences in China, the large numbers of smaller companies have created markets in the coastal and eastern areas instead of the hinterland (Zeng and Williamson, 2003). Wei (2009) point out that the weak transportation and distribution also make the supply chain expensive to retail products for the whole country. The state-owned large companies with monopoly in the domestic market and smaller firms could not competitive (Siu, 2001). Moreover, government adds taxes on products, which are produced outside of the region due to the economic competition among these provinces (Zeng and Williamson, 2003). Thus, there are lots of local brands but few nationwide brands. Chandler et al. (2009) also pointed out organizations wanted to develop in the operation areas. The above factor would limit Chinese SMEs to grow in the competition and develop in a bureaucratic way.

Owning to small scaled and decentralized process, SMEs is less competitive compared with the well-known multinational companies. SMEs that do not form economics of scale often are difficult to contend with large enterprises in the domestic market (Musso & Francioni, 2012). Large companies restructure the company through acquisition and mergers to provide competitive on the condition of advanced technology in a low-cost and better product quality to achieve high market coverage (Child & Rodrigues, 2005). Furthermore, mostly labor-intensive Chinese small firms do not have advanced equipment, which impedes the growth of SMEs (Wei, 2009).

2.3.2 Factors pulling SMEs’ Internationalization process

Etemand (2004) define that is “a set of forces or drivers usually external to the firm that enhances the competitiveness or provides attractive incentives for firms to internationalize.” Pull/proactive factors are related to positive market environment including unfulfilled demand, attractive market. Etemad (2004) also suggested the pull factors can provide incentives for SMEs’ internationalization process. Furthermore, State provides resources and guidance services to help those SMEs that intend to go global in the perspective of technical, regulatory and procedural problems (Anderson et al. 2001).

- Enlarge market share and get returns

According to Winch & Bianchi (2006), companies that going global may stretch capabilities to support customers in the new market. It might offer a route to expand sales when companies successful growth in home markets. It is a natural way to move into exporting based on their home reputation (Evans et al., 2008). In a new market, existing customers with a good recommendation and perception have a strong influence on new purchases (Svetličič et al., 2007). So the power of word-of-mouth marketing is considered as an efficient marketing growth driver of small firms (Winch & Bianchi, 2006). Eisenhardt and Schoonhoven (1996) showed that the limited
resource of smaller firms could be a particular challenge. Due to the risk to enter a new market, SMEs usually utilize resources to service existing customers. According to Winch & Biachi (2006), new market with increasing sales as well as the fade disastrously old market could reinforce firms’ resources to go to overseas market. Simultaneously, it is important to find out a good balance between existing products and the new opportunities in the international market. Newbould et al., (1987) claim that chance opportunities in SMEs would play more significant roles than strategic planning during the decision-making process. He (2011) also has shown that SMEs try to transfer goods to the countries where it could cost less to produce and to reduce the cost in the internationalization process.

Additional factors mentioned by researchers include maximizing niche opportunities in the competition (Evans et al., 2008). Alexander (1990) emphasizes marketing opportunities and developing visions are essential. Quinn (1999) also found out the size of international market and the niche opportunities were significantly drivers in the research of 41 retailing firms.

**Government support**

Chinese government encourages more small companies to tackle the international market (Zeng and Williamson, 2003). Boisot and Meyer (2008) also suggested that Chinese government willingly encourages companies to go abroad and even set up China investment corporation office to help them during the process. Besides, local government support SMEs directly in finance or infrastructure building, which is important motivation for SMEs go internationalization (He, 2011). Likewise, Chinese government in 1992 set up Wenzhou Economic and technological development center to encourage and help companies to choose their own way of doing business as well as selecting the operating strategy. For instance, to create a competitive advantage, SMEs found out international joint ventures and franchising to enlarge enterprises as its core business of trade and to cooperate actively with overseas investment through different strategy. (He, 2011)

Child and Rodrigues (2005) claim that the Chinese government established related law to help SME in exporting and internationalization. Meanwhile, a range of supporting regulations for the survival and development of SMEs are also provided by government for the legal protection of SMEs, for example, industrial policy, trade policy, environmental policy, technology policy, regional policy (Grandinetti & Mason, 2012). Many research data indicate that lack of funds is one of the main obstacles to the internationalization of SMEs in China; therefore, the state actively acts and implements a number of fiscal, financial and tax policies to support SMEs. From the government to local levels have established office to support the development of SMEs (Wei, 2009; Child & Rodrigues, 2005).

Every province takes measures to encourage and help SMEs to use advanced technology and equipment and improve product quality in the raw materials,
packaging, transport process and other sectors (Siu, 2001). The government actively carries out planning towards technological development and innovation activities in order to narrow the technology gap with foreign enterprises and promote a substantial increase product quality (Boisot & Meyer, 2008). At the same time, Buckley et al. (2007) suggested it is important to strengthen the supervision and inspection of SMEs. The Chinese government actively supports SMEs striving for own brand-name products in the international market.

2.3.3 Interactive push-pull factors influencing SMEs’ Internationalization

The mediating factors refer to forces having an impact on firms’ internationalization process based on the characteristics of firms (Etemand, 2004). Both internal and external factors have an influence on SMEs’ internationalization. Internal factors include managerial resources, organizational culture, environmental aspects and competitive advantage. External factors include the information of the domestic and foreign market, competitors’ activities (Alexander, 1997; Evans et al., 2008). The above influence factors are intermediated by companies’ internal dynamics (Etemad, 2004). The firms’ own decision-making strategy and dynamics affect the internationalization combined with internal and external factors (Evans et al., 2008). While the performance of Chinese firms is not only influenced by firms’ characteristics factors but also factors such as other environmental determinants (Siu, 2001). Chinese cultural values, politico-economic environment and state-owned enterprises dominated business environment are meditational factors that need to be considered of Chinese small firms (Siu, 2001).

2.4 Summarize

To sum up, smaller firms are competing with multinational firms globally, which they need appropriate conditions to attain the vital competitiveness (Fahy, 2002; Grant, 1991; Mathew, 2003). Most theories provided foundation for international growth of Multinational firms. As mentioned before, Dunning’s major theories have been focused on the internationalization process of larger companies. The Uppsala theory suggests companies begin with going foreign market in a close “psychic distance,” which reduce risks and accumulate experience as a background for new markets. The born global theory suggests that smaller firms gain global market when companies start up. Etemad (2004) proposes an integrative framework to reflect the influence forces of the internationalization process, which is the background for the study. These theories provide direction for SMEs because they are related to low capacity in the internationalization process. SMEs are motivated by various factors that drive the complex internationalization process. Chinese SMEs are developing under particular condition; for example, local knowledge background, social and political environment
as well as logistics system (Etemand, 2004). Based on the internationalization theories and model mentioned before, this paper will investigate the drivers of Chinese footwear SMEs internationalization when they are facing challenges. It is worth to improve Etemand’s integrative framework from the perspective of Chinese-style SMEs in the footwear industry.
3 Method

3.1 Overview of research process method

According to researcher Coviello and McAuley (1999), most studies of SMEs’ internationalization process tend to use quantitative or qualitative method to analyze the degree of internationalization. Beginning with SMEs internationalization literatures review, the number of qualitative studies tends to analyze various forms and entry modes of internationalization (O’Farrell et al., 1998). Then, an integrative model that reflects the forces of the internationalization process from researcher Etemad (2004) is used as orientation to study various conditions of smaller Chinese companies in the footwear industry. In general, the overall working flow of this thesis is shown in figure 2:

![Figure 2: The overall working flow of this thesis](image-url)
3.2 Literature review

The literature review is made to get theoretical knowledge and to identify relevant research and theories that have influenced on the research topic (Ridley, 2010). The literature was used to support research problem or identify the gap in the previous researches (Ridley, 2010). When reviewing the literature, research questions would provide the direction that leads the study focused on motives that drive Chinese SMEs internationalization. The theories provided background for this thesis (Bryman and Bell, 2007). The literatures used in this paper include scientific articles, books, and journals. According to the purpose, keywords such as SMEs, drivers, and internationalization are defined when searching for literatures. Literatures were mainly found in university library and website such as Google scholar. In the literature selection process, it is very useful to view the abstract and introduction to include and exclude related literatures.

3.3 Research method

In order to learn the internationalization of SMEs, this study combines primary qualitative approach with a quantitative pre-study. Qualitative method focuses on exploratory research (Biggam, 2011). The quantitative method is based on numerical and statistical data, but qualitative method rather answering why and how problems that normally cannot be calculated or be used mathematically (Biggam, 2011). According to Bryman & Bell (2007), qualitative research offers a deep understanding on one specific issue by using an inductive method, which using gathered empirical data to build new theories or modify existing theories. This paper designs the research to corporate with an exploratory qualitative study and a small quantitative component to collect data in order to analyze the drivers on the process of the internationalization of Chinese footwear SMEs. The available quantitative data that used a larger sample can provide briefly summarise characterise of Chinese footwear industry. Moreover, that is designed to identify variance among various internationalization divers. The qualitative method involves an attempt to work with a smaller numbers of cases to cope with detail when talking with participants and observing them during the communication process (Biggam, 2011). Since Chinese footwear industry is a scarce well-researched topic, qualitative research in terms of semi-structured questionnaire and in-depth interviewing is used to research internationalization of small business (Julien et al., 1998; Madsen & Servais1997). Instead of describing a phenomenon, the aim of this study tends to focus on an in-depth understanding of the SMEs’ internationalization situation. The author access the resources to study this phenomenon and analyze case study with Chinese footwear SMEs through getting contact to the participants’ perspective by detailed interviewing and observation. Semi-structured questionnaire and case study approach are both chosen for this paper.
Face-to-face interviewing is focused on deep insight and meaning. The process of data generation involves in the case study to provide a better understanding in the fields of SMEs internationalization (Janesick, 1998).

3.4 Data collection and analysis

There are different methods to collect data. For example, observation, survey, interview, questionnaire and face-to-face interaction with people (Rugg & Petre, 2007). Just as Siu (2001) mentioned, questionnaire is a valuable way to identify market practices behavior of firms; it delivers restricted chances to investigate problems in depth.

Walliman (2005, pp.241) defined that “primary data that is data observed, experienced or recorded closest to the event, are the nearest one can get the truth, distortions inevitably occur as the proximity to the event decreases.” In this study, data from questionnaires and interviews with firms’ respondents are primary data. The primary data strive toward collecting with high accuracy and veracity. For collecting data, this research adopted interview, questionnaire, face-to-face Skype with respondents and email interview. Thus, The purpose to use open-ended questionnaire is to inspire respondents feel free to express the problem they face and decision formulation process.

Compared with primary data, secondary data is reusing information that collected by someone else. According to Walliman (2005), The source of secondary information would be from published literatures, books, government website and commercials. The theoretical framework provides a clear indication in the fields of SME internationalization. Secondary data were used to analyze to provide further background information and to help translate the data (Walliman, 2005). Additional data such as company brochures were also collected. Using data collection, a full picture of the firm’s exploration was built up while reading company histories, promotional material learning and report on each firm. Researchers use secondary data because this is an easier and inexpensive approach to collect data (Walliman, 2005). The secondary data in this paper come from published articles, books and firms’ official website. On the contrary, the secondary data does not have as much accuracy as primary data. The three phases to collect data are shown as follows:

3.4.1 Questionnaire to 52 companies

First stage of the research is to identify the general internationalization motives of SMEs operating in the Chinese market with international operations. The author sent out questionnaire to 52 Chinese footwear companies. These samples were chosen
from Wenzhou government database, which was not randomly selected. Selected similar firms are to allow generating information in common.

The criterion to select samples was that small-medium sized footwear enterprises must originate China, with Head Office location in the China and have international activities and operate in at least one international market. First contact was made by email from 24th of February. Collect data through a questionnaire with managers who made the decision to market strategy in the internationalization (Interview questions see Appendix). The overall questionnaire questions were derived from Anderson et al., (2001). An outline of questions containing relative and strategic topics was used to accomplish consistency with interviewers. The picked up questions are all related to the internationalization process. The questionnaire is also focused on the needs of internationalization phases. The questionnaire was sending to the director of each firm by email and explaining the purpose of the study and requesting access to essential information. Finally, the author received 29 firms’ feedbacks in total until 7th of March. Basic information about Wenzhou footwear SMEs in the internalization is collecting through this stage.

3.4.2 Analysis from 17 companies

After the initial phase, there are 29 companies replied and 17 of them agreed to share information with the author. In order to seize important features of international behavior and to summarize key motivation, 17 firms were undertaken to analysis according to the companies’ characteristic, performance, influence factors of internationalization and overseas market activities. The summary of significant factors, which affect internalization process from the questionnaire, is showing in table 3. According to the survey, about 82.3 % of the Wenzhou shoe enterprises consider potential opportunities as the most important drivers for SMEs internationalization. Similar overseas customer demands and intense competition in the domestic market are perceived to be important in around 76.5% of firms. 70.6% of firms take account of the significant of Chinese government support during the companies’ development. More than half responded firms think that factors, such as managers’ intention, are crucial factors that have influence on the internationalization. However, unique product or service and similar culture play less important role according to the data analysis result.
Table 1: Key factors influencing the internationalization (N=17)

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Unimportant %</th>
<th>Important %</th>
<th>Very important %</th>
<th>No response %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Similar customer demand in overseas</td>
<td>23.5</td>
<td>47.1</td>
<td>29.4</td>
<td>0</td>
</tr>
<tr>
<td>Potential opportunities from overseas market</td>
<td>17.7</td>
<td>58.8</td>
<td>23.5</td>
<td>0</td>
</tr>
<tr>
<td>Strong competition and barriers to grow in domestic market</td>
<td>17.6</td>
<td>41.2</td>
<td>35.3</td>
<td>5.9</td>
</tr>
<tr>
<td>Managers’ personal motivation</td>
<td>23.5</td>
<td>29.4</td>
<td>35.3</td>
<td>11.8</td>
</tr>
<tr>
<td>Government support</td>
<td>29.4</td>
<td>35.3</td>
<td>35.3</td>
<td>0</td>
</tr>
<tr>
<td>Unique product and service to new markets</td>
<td>29.4</td>
<td>17.6</td>
<td>17.6</td>
<td>35.4</td>
</tr>
<tr>
<td>Similar cultures in overseas market</td>
<td>29.4</td>
<td>35.3</td>
<td>11.8</td>
<td>23.8</td>
</tr>
</tbody>
</table>

3.4.3 In-depth interview with two companies

The completion of international activities drivers and information with companies was gathering from period 2. The issues connecting to internalization motivation in SMEs will be researched by an in-depth interview study approach. Meanwhile, there is space for flexibility to ask for more questions to specific firms when collecting data. Qualitative data are initially originated from the broad questions (Patton and Quinn, 2002). This paper covered two case studies of small-medium sized companies involved in international business. A systematic cross thinking framework is likely to be adopted to analyze and integrate structure and model. The proper person involves in the international decision-making process of the company are interviewed for relevant information. It was targeted to explore various factors mentioned by managers since they began international activities (Romano, 1989). This phase found out some important drivers in the internationalization process and established research background. The face-to face interview is likely to depend on a smaller sample compared with survey or questionnaire. One thing needs to be considered is that the author talks with one person who is responsible for internationalization. Each respondent is expected to offer a detailed description. Compared with asking different people from companies, the advantage is that the author could learn as much as possible from the descriptions of respondents rather than providing general description by companies. Therefore, they would describe the internationalization process about why intentional activities occurred and how events happened. The author describes the internationalization development from a retrospective perspective.
The retrospective study is a research method in which the factors in relation to the development of a certain phenomenon, for instance, the internationalization of SMEs, are researched after the consequence has already happened. The internationalization of SMEs takes time to develop and operate; thus the retrospective study is a good method to look back and collect data. Because the clinical observation for this study is not possible, the retrospective study is a suitable method compared with others for the case. The two respondents were involved in the process when their companies did internationalization and they have participated in the international actives now. They are key person who control of information systematically. They provided information that has been collected including administrative data as well as described personal experience.

According to Biggam (2011), in-depth interview is a sort of research to study one sample of particular objects. The purpose is to discover and to study characteristics and phenomena inside firms (Biggam, 2011). In-depth interview can usually be conducted on sole interview or multiple interviews. This thesis focused on two interviews with firms. The criterions to decide two case companies are as follows: Firms have been established for more than five years, which require firms to have trading experience. The firms have at least one or two international market operations. Firms have income from global business part and the annual turnover over one million RMB. Finally, two companies become candidates for the case study companies. One reason for choosing two firms is also because they are willing to collaborate for the study. Yin (2009) suggested the approach to conduct an in-depth interview and how to apply it effectively. Five steps about the in-depth interview are followed by Yin’s work in this paper. Define and determine the research question is the first step. Choosing appropriate case companies and defining techniques for interviewing to collect data is the next step. Beginning with a description of the interviewee, it let interviewee describe holistic information about the company. Next, it is significant to select important data in the interview process. Evaluate and analyze the collected data is the following step. The last step is to present the results.

The procedure of acquiring case study data was as follows. The company respondents were interviewed by Skype at 3rd and 4th of April 2014. When it comes to case studies’ selection, firstly the two SMEs should have something in common; According to Eriksson and Kovalainen (2008), the degree of familiarity will impact the case study unquestionable. The two companies are SMEs and they both have international business. Meanwhile, they have a different experience to share with the author. Before video chat with respondents, the author made a list of interview questions. The questions are gathered to collect companies’ information, including factors related to entrepreneurial orientation, human capital, competitive strength, market opportunities, and technological innovation. The two companies are mentioned by company A and company B to secure anonymity.

The interview questions were conducted by four parts. To start the discussion, the author gives an introduction about the purpose of this research and what the
contributions of each company would make. Firstly, the author began with few short questions that are related to each company’s current business area. Secondly, introductory questions make respondents reflect on their experiences around the story of the internationalization process. Then, the questions are narrowed from wider problems down to particular questions; the fundamental research questions target at developing a deeper reflection of what managers’ thought and what companies have done. Last but not least, ending questions can make sure nothing is missing (Eriksson & Kovalainen, 2008). In the end, the author summed up the whole answer and appreciated the participants. The conversation was recorded, which will not be used for other purpose and the case companies will be shown as anonymous in the study.

During this process, interviewees enjoyed expressing their viewpoints and sharing stories about the process of internationalization. The author tended to observe the attitude and expression of the interviewees. The interview atmosphere was quite relaxing, which allow interviewees feel free to express various opinions and add more ideas, and they not only answered questions but also communicated with the author to talk around Chinese footwear industry as well as to provide suggested answers.

After that, the author analyzed the discussion as soon as possible according to the written note and record. The data analysis is carried out and translated into English by listening to the record several times. Write down what the respondents talk about is the first phase to do. The data is used to discover a pattern with different drivers theme among three companies and questionnaire results. Then did data comparison with theories and model. For instance, the author did systematic cross-analysis from the participants’ opinions to support the research purpose, which includes the identification of critical themes as well as the explanations of those through chosen relevant quotations from the interviewees. The themes will be analyzed in order to get in a deep understanding of the research. Furthermore, explicit examples about what interviewees’ quotation are adopted in the finding. In this phase of the study, the interview combines questions from the last two stages as well as the new factors identified within literatures. The issues related to management of smaller business operations in international background were also investigated. The aim of this interview was to consider factors that would influence managers’ choices during the decision-making process in the internalization.

3.5 Validity and reliability

According to Given (2008, pp.909), “validity is often broadly described as being dependent on the degree to which a study measures what it purports to measure whether the truth is accurately identified and described”. Internal validity and external validity are both considered in this research. Internal validity refers that the outcome cannot be detected directly and makes an explanation based on the interview (Yin, 2009). The internal validity includes content validity as well as construct
validity. To establish that, this study was adopted case studies to qualify the feasibility of the mode and the academic content. According to Yin (2009), *external validity is that the result could be applied beyond immediate case study.* Two case companies are deep interviewed in this study to get and evaluate the result. The process is conducted from previous literature with a trust-worthy reference list. All data for this study were gathered from the questionnaire and interview. The interviewees are the appropriate people from different firms. The detailed interview questions are presented in Appendix. One to one interview with standardized questions increases the reliability of this study. This study interview one director from company A and company B. However, this does not mean only get one perspective on the whole organization. The interviewees have discussion with experts when they cannot be sure. The wrong response would reduce the accuracy of the results. Using quotation and conversation of interview increases the reliability. The author demonstrated the result to the respondents after analyzing the interview, which is likely to assure high consistency of the outcomes.

### 3.6 Limitation

The research has limitations on the case studies. To some extent, the interviewing cannot avoid the bias of interviewers’ personal feeling. As mentioned before, one disadvantage of retrospective research method is that the respondents may have influenced by their current situation. They are likely to interpret earlier activities as actions happened now. Moreover, they might have forgotten what happened in the past. The questionnaire and prepared questions are not sufficient enough and consider all-round aspects. The result cannot be applied to all the Chinese SMEs.
4 Result

The Chinese enterprises are faced with unprecedented challenges especially after economic globalization. The SMEs have to implement international operations and how to correctly understand the drivers of internationalization become the focus of this study. Wenzhou has nearly 4000 shoemaker firms where the production volume of shoe manufacturing accounts for more than 25% of national output. A number of well-known brands in Wenzhou shoe enterprises accounted for about 50% of the total. Wenzhou shoe industry is highly dependent on international trade. Therefore, the international business environment has a great impact on the footwear industry in Wenzhou. Last year, Wenzhou shoe export rate still achieved growth even the international trade situation is not optimistic. The main effect factors mentioned by interviewed managers include the adjustment of the export tax rate, the regional supporting in Wenzhou shoe brand and the awareness to research and development.

17 firms were undertaken to analyze Wenzhou shoe SMEs. The foreign markets are mostly located in the United States, EU, Russia and other Asian countries. Wenzhou shoe firms go global in the following three ways: the first is to run trading company and to know the local market. The second is to set up overseas R & D centre, production base and sales network in the multinational companies, which choose product development as a breakthrough. The third is to list on overseas stock markets to accumulate funds.

International expansion of Wenzhou shoe is usually running in three channels: direct export, foreign investment and set up factories or acquisitions and OEM manufacturing. Back to the 1990s, the world's shoemaker centre shifted from Japan, China Taiwan and South Korea to lower production costs in Guangdong, Wenzhou and other places. From 1996, China has become the biggest country in world's footwear production and exportation. However, due to the late start of internationalization of Chinese enterprises and lack of foreign investment experience, so far, most of the SMEs are only at the lower levels of international investment. According to the investigation of 17 firms, there is only approximately 5.72% of Wenzhou shoe enterprises that made successful in international strategic stage, about 1/3 firms still focus on a completely domestic marketing stage, while the half of them just use exporting as a primary mean of going international. On the outbound international development, although some companies have started to build a small production companies or research institutes and acquisitions overseas, while OEM, export and export agent are still the main ways to invest for Wenzhou shoe firms. To further investigate research questions, company A and company B were studied to seek a breakthrough.
4.1 Company A

Company A founded in 2001 and the main products are footwear products. At the beginning of its foundation, the company consisted of seven employees. Nowadays, It has become one of the prominent private companies in the shoe-making industry in China. The Company has three R&D centres in Wenzhou. In 2005, the company started international operations. The focus of international business is located in Singapore and other Southeast Asian countries. They have four self-owned brands as well as one purchased brand, which were purchased in 2010. The firm is devoted from manufacturing to marketing management, thus forming the vertically integrated operation mode. The Company leads brand become national famous trademark. Company A has gained quality award by Zhejiang Provincial Government and Wenzhou Municipal Government.

Motives of internationalization

In the early creation period, due to competition in the domestic market of the industry is not highly competitive, so its main focus on the domestic market and here is no international business. The respondent also said: "we think well-developed domestic market can provide support for international expansion as well. We consider the most important challenge to internationalization is lack of resource." During in 2003 and 2004, the manager said, "the profits and total assets of enterprises have both been created a historic breakthrough, however, the domestic footwear industry was becoming more and more competitive. Therefore, the enterprise decided going out at this time. International orientation gradually plays an important role within the enterprise." In 2005, the respondent said: "three years after the establishment of the enterprise, we began international business, which is also to find potential opportunities for a company." When it comes to company performance in the competition, the respondent mentioned, "we are always the first to take action rather than being a follower in the competition. At the same time, we have excellent employees with international experience, which is important for the international operations." The international market of the company is mainly located in Asia. The respondent explained "a similar culture with similar customer demands motive company A."

The detailed result of internationalization influence factors is shown in figure 5. "1" is that you do not agree with this statement at all. "2" is that you do not agree with this statement. "3" is that does not matter. "4" is that you agree with this statement. "5" is that you completely agree with this statement.
Company performance in the entrepreneurial orientation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1 2 3 4 5</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Overall, the company operates more inclined to emphasize mature product (or service).</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>The company does not have a new product line (or service) in the last three years.</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>The manager would prefer projects with low risk low return.</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>When faced with peer competition, managers are usually the first to take action, and then competitors follow up or respond.</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Tending as a &quot;follower&quot;, rarely the first to introduce new products, entering new markets, the first to adapt to the new management model or new technology.</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Managers are busy with daily affairs, no time to grasp the opportunity beforehand, to respond to changes, and usually afterwards forced by environmental pressures to take action.</td>
<td>2</td>
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Company performance in human capital

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<tr>
<th></th>
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<th>1 2 3 4 5</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>The staffs’ skills are high.</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>The staffs are considered the best in the industry.</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>The staffs are very creative.</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>The staffs are very good in the workplace.</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>The staffs can actively develop new ideas and new knowledge.</td>
<td>4</td>
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Company awareness of competitive strength

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<th></th>
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<th>1 2 3 4 5</th>
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<tbody>
<tr>
<td>1</td>
<td>In foreign markets, the numbers of products are many types in our industry.</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>In foreign markets, there is a high level of intense competition in our industry.</td>
<td>2</td>
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Company awareness of the niche market opportunity

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<th></th>
<th></th>
<th>1 2 3 4 5</th>
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<tbody>
<tr>
<td>1</td>
<td>The company is concerned to &quot;gap&quot; the external market demand.</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>The company is always able to see the opportunities that exist in overseas.</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>The company is looking for an external market, which has few competitors.</td>
<td>4</td>
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Company performance in technological innovation

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<thead>
<tr>
<th></th>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>1</td>
<td>The company can provide a unique technology for international clients, and competitors cannot offer this technology.</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td></td>
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<tr>
<td>2</td>
<td>The company’s technology and foreign competitors’ are completely different.</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Technical quality of the enterprise is higher than foreign competitors.</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
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<tr>
<td>4</td>
<td>Compared with foreign competitors, the strong technological innovation can replace the previous poor technology.</td>
<td></td>
<td></td>
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Company performance in the degree of internationalization

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<th></th>
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<th>1</th>
<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>1</td>
<td>The enterprise has similar culture with and foreign market culture.</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The Company covers wide foreign sales.</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
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</tr>
<tr>
<td>3</td>
<td>Overseas operations are in a large proportion.</td>
<td></td>
<td></td>
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Company performance in the internationalization performance

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<tbody>
<tr>
<td>1</td>
<td>Foreign sales play an important role in the proportion of total revenue.</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2</td>
<td>Growth quickly in overseas sales.</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Figure 5 Internationalization influence factors of company A

Internationalization steps of Company A

A Company's international development can be divided into two phases. The first stage is from 2005-2007. “At this stage, we are mainly doing companies export-oriented activities, which belong to the stage of finding the road of internationalization, and the main markets are Singapore and other Asian market because the footwear industry has similar customer demand with Chinese market. This market occupies an extremely important position in our business. In order to seize the overseas market, our business leaders are full of ambitious. They constantly analyze market segments on the overseas’ market and employ elite talents which would provide the background for further in-depth international activities.”

The second stage is from 2008 to 2010. “We did break the restrictions of just exporting, established overseas’ R & D centers and self-owned manufacturing center. The degrees of internationalization and internationalization performance have been further upgraded. And now the international performance has accounted for nearly
42 % of our business. During the process, our internationalization cannot do without strong and constant innovation, especial technology innovation. Many factors for the international development of companies provide motivation also."

4.2 Company B

Company B is a company that research, produce and sales shoes, leather goods and clothing in Wenzhou. The Company B brand was founded in 1995. This enterprise began international operation when they found company B, which is a typical born global enterprise. Currently, Company B has established R & D department in Milan, Paris, Japan, and Korea. In Beijing, Shanghai, Guangzhou they have established the brand studio, design studio, fashion information centre, which could use the global design information and resources to help products to achieve synchronization with the international fashion. In China Zhejiang, Guangdong, Shanghai, Chongqing the company has the layout of the R & D production base as well as open stores in these cities. Company B has corporation with famous national universities and European research institutions, which establish the shoe technology laboratory for experimental study of footwear testing and research to produce dual-sport shoes.

Internationalization steps of Company B

The internationalization of Company B has gone through three stages: the manager said, “Firstly we establish the R & D center and seek the opportunity to open up niche markets.” At this stage, Company B not only has a strong entrepreneurial orientation. Because of product research, Company B started the path of internationalization innovation based on overseas research and technology development rather than low-level export on the beginning stage.

In the second stage, the manager mentioned: “we seek cooperation with local firms and finally transfer R & D technology to local enterprise and production in the overseas.” As he mentioned, 99% of firms in Wenzhou are SMEs. How to stand out in the competition should be considered by SMEs. In the past years, Chinese government also provides support to SMEs to enhance technological innovation.

In the third stage, “our development mainly relies on human capital and technological innovation. Of course, during this process, we have the opportunity to explore a niche market. In the face of intense competition in foreign markets, European market is considered as a significant niche market. More importantly, we are constantly looking for the right partner to corporate; understand the local market and customer need to fulfill the potential market. Finally, we established wholly owned enterprises.”
Motives of internationalization

The respondent from company B summarized the retail internationalization motives into five major categories. The first categories contain growth-correlated drivers when company B is going to increase profits and opportunities. He said: “We found that there is a potential demand in the European market. In the beginning, we are not like other Chinese firms that do export. We paid more attention to product development and innovation. We still believe that excellent products could help us to put feet in the internationalization development.” The second drivers are linked with a limited market in the domestic market such as market saturation and intense competition. During the interview, the respondent mentioned intense competition several times; he said: “we are facing tremendous pressure from national and international competition. The organization also has barriers to develop in the national market.” The third drivers include various supports from government. Another important driver comes from technological innovation. The last one is managers’ orientation. Just as the respondent mentioned, “Our CEO wants to lead a cross-cultural working environment and set up international mind-set within the company. That’s why we actively participate in internationalization.” The detailed result of internationalization influence factors is shown in figure 6.

Company performance in the entrepreneurial orientation

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<tr>
<td>1</td>
<td>Overall, the company operates more inclined to emphasize mature product (or service).</td>
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<td>2</td>
<td>The company does not have a new product line (or service) in the last three years.</td>
<td></td>
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<tr>
<td>3</td>
<td>The manager would prefer projects with low risk low return.</td>
<td></td>
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<tr>
<td>4</td>
<td>When faced with peer competition, managers are usually the first to take action, and then competitors follow up or respond.</td>
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<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Tending as a &quot;follower&quot;, rarely the first to introduce new products, entering new markets, the first to adapt to the new management model or new technology.</td>
<td></td>
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<td>4</td>
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<tr>
<td>6</td>
<td>Managers are busy with daily affairs, no time to grasp the opportunity beforehand, to respond to changes, and usually afterwards forced by environmental pressures to take action.</td>
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Company performance in human capital

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<tbody>
<tr>
<td>1</td>
<td>The staffs’ skills are high.</td>
<td></td>
<td></td>
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<td>5</td>
</tr>
<tr>
<td>2</td>
<td>The staffs are considered the best in the industry.</td>
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<td>4</td>
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<tr>
<td>3</td>
<td>The staffs are very creative.</td>
<td></td>
<td></td>
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<td>4</td>
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<tr>
<td>4</td>
<td>The staffs are very good in the workplace.</td>
<td></td>
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<tr>
<td>5</td>
<td>The staffs can actively develop new ideas and new knowledge.</td>
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</table>
### Company awareness of competitive strength

<table>
<thead>
<tr>
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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In foreign markets, the numbers of products are many types in our industry.</td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>In foreign markets, there is a high level of intense competition in our industry.</td>
<td></td>
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</table>

### Company awareness of the niche market opportunity

<table>
<thead>
<tr>
<th></th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>The company is concerned to &quot;gap&quot; the external market demand.</td>
<td>2</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>The company is always able to see the opportunities that exist in overseas.</td>
<td></td>
<td>4</td>
<td></td>
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<tr>
<td>3</td>
<td>The company is looking for an external market, which has few competitors.</td>
<td></td>
<td>2</td>
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</tbody>
</table>

### Company performance in technological innovation

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</thead>
<tbody>
<tr>
<td>1</td>
<td>The company can provide a unique technology for international clients, and competitors cannot offer this technology.</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The company’s technology and foreign competitors’ are completely different.</td>
<td></td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Technical quality of the enterprise is higher than foreign competitors.</td>
<td></td>
<td>3</td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>Compared with foreign competitors, the strong technological innovation can replace the previous poor technology.</td>
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</tbody>
</table>

### Company performance in the degree of internationalization

<table>
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<tr>
<th></th>
<th>1</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The enterprise has similar culture with and foreign market culture.</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The Company covers wide foreign sales.</td>
<td></td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Overseas operations are in a large proportion.</td>
<td></td>
<td>4</td>
<td></td>
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</tbody>
</table>

### Company performance in the internationalization performance

<table>
<thead>
<tr>
<th></th>
<th>1</th>
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<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Foreign sales play an important role in the proportion of total revenue.</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Growth quickly in overseas sales.</td>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Figure 6 Internationalization influence factors of company B
4.3 Comparison company A and company B

Compare to company B, A first develop in their domestic market. Due to the entrepreneurial orientation, managers make decision significantly driving the internationalization of companies, which commit resources with uncertain outcomes. Managers of company B describe themselves as proactiveness. Entrepreneur takes actions to anticipate opportunities in terms of market demand or technologies. As a "born global company," the B company international stage began to establish R & D institutions in foreign countries, to integrate human capital for their business services, human capital made a great contribution to internationalization of the company's success. However, company B also grows up with high entrepreneurial orientation, accurate grasps the niche market opportunities to face fierce competition. These not only improve the performance of the company's internationalization but also lay an excellent foundation for company’s development. Effective utilization of human resources is one of the main drivers of internationalization. Company B develops through the recruitment of foreign personnel with international experience. Compared with large enterprises, the R & D capabilities to invest of Company A and B in this area are clearly insufficient. Through the analysis, it is found that leadership play in the process of internationalization, especially entrepreneurial spirit. They have innovative orientation and the courage to take risks with continued recruitment of employees. At same time, managers seek a niche market opportunities.

Shortage of funds and the financing difficulties of SMEs in China has become a significant problem (Wei, 2009). The Respondent from Company A mentioned: “International operations need more funds, but the shortage of funding problems is faced by SMEs in global business process, which is not easy to get solved. The commercial banks are reluctant to provide loans to SMEs. However, Chinese state established the SME board to solve the difficult problem of SME funding, which stimulate us to go global under fierce national competitiveness. ”

Company A and Company B have collaboration with their partners to integrate resource. For expanding their brand successfully, they made the alliance in their international distribution channel and collaboration with their foreign partner to increase sales volumes. It is based on trust to build up collaboration supply chain network to achieve effective and efficient impact. Both of the two respondents said: On one hand, less technological innovation and low ability to obtain information, to some extent, would limit SMEs’ growth space. SMEs in China are also need people who have international management experience. Enterprises who control international business should be familiar with international practices, international laws of the market and management experience. On the other hand, Shortage of human resources will hinder the pace of SMEs in international operations.

Company A and B both pay attention to cooperation between people. In the face of competition in different markets, two companies did not reduce the performance,
which allow capturing the opportunity. Company B showed a stronger adaptability and flexibility in the competition. These are factors that provide motivation to internationalization, which can help Companies A and Company B make the best choice. Company B is more efficient in the use of foreign resources and it is more flexible compared with company A. However, both A and B mentioned the importance of technology innovation especially for Chinese SMEs. In the interview, one manager said: *Chinese firms are known as copy and low-quality products in the global market. However, if we want to open new market, we have to create new combinations of resources as well as change current product lines.* It also reflects the lack of experience of Chinese enterprises in the international market. The degree of internationalization is not the same level of development for company A and B. The development path is not the same. The company B is more innovative, which breaks the traditional path of internationalization for Chinese SMEs. The comparison between compared A and B are shown in table 2.
<table>
<thead>
<tr>
<th></th>
<th>Company A</th>
<th>Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee’s age</td>
<td>30-40 years old</td>
<td>40-50 years old</td>
</tr>
<tr>
<td>The level of education</td>
<td>College</td>
<td>High school</td>
</tr>
<tr>
<td>Interviewee’s position</td>
<td>Project director responsible for international activities</td>
<td>Manager responsible for international markets</td>
</tr>
<tr>
<td>Company preliminary &quot;going global&quot; time</td>
<td>2005</td>
<td>1995</td>
</tr>
<tr>
<td>The percentage of turnover from international activities</td>
<td>42%</td>
<td>67%</td>
</tr>
<tr>
<td>The main forms of internationalization</td>
<td>Exported-orientated</td>
<td>Fully owned distribution channels</td>
</tr>
<tr>
<td>International market</td>
<td>Singapore, Korea and other Asian market</td>
<td>Milan, Paris, Japan, and Korea</td>
</tr>
<tr>
<td>Entrepreneurial Orientation</td>
<td>Strong entrepreneurial orientation drives company A to seek niche opportunities and business innovation as well as accelerate the internationalization of speed</td>
<td>Beginning with global business, Company B is willing to take risk, which is an important characteristic associated with entrepreneurship.</td>
</tr>
<tr>
<td>Human capital</td>
<td>Mainly hire people with international experience in the recruiting process and build up high efficiency of human resources</td>
<td>Work with foreign personnel during the international cooperation</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>High intensity of domestic competition stimulate company to expand international market and innovation</td>
<td>Due to competition, the enterprise focus on innovation and seek partners to corporate with.</td>
</tr>
<tr>
<td>Market opportunities</td>
<td>Facing market opportunity, they consider as a big motivation to internationalization</td>
<td>Take full advantage of niche opportunity to accumulate capital</td>
</tr>
<tr>
<td>Technology innovation</td>
<td>Technology innovation significantly improved the speed of internationalization</td>
<td>Technical innovation and technical cooperation with foreign partners has driven the progress of internationalization</td>
</tr>
</tbody>
</table>
5 Analysis

5.1 SMEs internationalization influential factors

Factors affecting the internationalization of SMEs are varied, not only including culture, policy, custom, geography, transportation, but also the structure of corporate strategy, corporate resources and corporate capabilities. It can be divided into push factors and pull factors; internal factors and external factors. Through the analysis of the questionnaire and interview, it will make the phenomenon of internationalization drivers of SMEs to be clearly and logically.

5.1.2 SMEs internationalization pull factors

Pull factors include positive force, which is the main driving force to encourage enterprises from the domestic market to the international market (Etemand, 2004). Moreover, to avoid intense national competition and achieve a lower level of competition, the main driver for global action is potential opportunities customer demand. Higher research and development require a large international market, and continuous innovation requires a large international market. The driving force will encourage enterprises to take advantage of opportunities to internationalization, especially when the domestic market is growing weak. Pulling factors provide incentives to internationalization, which would stimulate a wider range of enterprises and enlarge international market. Factors such as avoid direct competition with large firms and provide opportunities for expansion would promote the process of internationalization of SMEs.

- Potential opportunities from overseas market

The degree of internationalization of SMEs will be significantly affected by market opportunities. The relationship between market opportunities and the degree of internationalization is shown in Figure 4. Both two interviewees mentioned that the market opportunities are crucial characteristics for SMEs. They have summarized that market opportunity consists of three elements, which are existing opportunities for knowledge, development of potential opportunities, and the creation of new opportunities. This study shows that the more niche market opportunities for SMEs to grasp, the more beneficial enterprises will get. The respondent from Company A said:

“We are specialized in footwear product. The first step when we decide to go global is that if we have a unique product into specific niche market to seize the opportunity in
overseas’ market, at this time, I think the small Chinese companies must have the ability to recognize this opportunity.”

![Diagram](image)

Figure 3: The degree of internationalization of SMEs and market opportunities

For small and medium enterprises’ internationalization development, they are not only a process to identify niche opportunities, but also to seize the opportunities. The interviewees suggested that the neglected niche markets by large enterprises or other overseas opportunities for SMEs establish a joint venture enterprise, which can ensure good niche opportunities. However, SMEs must seize opportunities based on the opportunity to expand production capacity so as to reduce costs and gain market in the new market to achieve development.

- The government support

Government considers introducing initiatives and providing assistance to the smaller sized firms that have the inclination to export. Additionally, instead of encouraging all of the SMEs to become exporters, government hopes SMEs provide long-term business plan to maximize returns on investments. Besides, the Chinese government also pays attention to the global market and assists the SMEs to cultivate their customers and market due to the national shoes brands are less famous in foreign markets.

5.1.3 SMEs internationalization push factors

The negative factors faced by SMEs are considered as push factors, which affecting
the internationalization of SMEs compared with positive factors (Etemand, 2004)). According to research, push factors are shown as follows:

- **Entrepreneurial spirit and human capital**

  The entrepreneurial spirit is one of the push factors, which including entrepreneurs'/managers’ qualities, primarily with an international/global vision, international business experience, management and marketing skills. Most interviewed entrepreneurs and managers who are experts in products or footwear areas, which help them in long-term success. Due to the small scale of production, capital is not sufficient compared with large companies in international operations. Adequate control of foreign investment by managers has become important in international development of SMEs in China. Two of interviewed companies’ managers have foreign management experience. There is a risk to engage in the international operation than simply exporting. The study also shows that firms with high quality and excellent human capital resource will lead to better enterprise performance. Therefore, human capital is a key element to improve the degree of internationalization. Respondent from company B said:

  "We have excellent staff and excellent managers, precisely because of their excellence, we enterprises can establish a wholly-owned enterprises (manufacturing plant) on the basis of overseas exports. Without these people, we would be lack of knowledge in the international business process. Now we are probably still exporting."

- **Strong competition**

  Cardoza and Forne (2011) explain that the competitive strength has significant influence on the SMEs’ internationalization level. The more fierce competition is, the more difficult the survival of SMEs will face. Similarly, both Company A and Company B face the intensity of competition of the domestic market at this time. It is difficult for them to grasp customer needs and the preferences of the competitors. The respondent company A said in the research:

  “As we enter into the market late, there are already many competitors in Chinese market, and the strength of the market is fiercely competitive. We as a small business, financial background is not enough compared with large footwear firms, it is difficult to survive in the market. In two years later, due to we mainly invest in the domestic market, we were in serious loss. Therefore, We had made decisions to develop international market. We are forced to start the scale of exports and start our going out journey.”
5.1.4 Technological innovation

The core competitiveness of a firm derived from technological innovation (Keogh and Evans 1998). Compared with companies in developed countries, most of the Chinese SMEs do not have technical innovation ability. That would be lack of international competitiveness. The enterprises require the ability to continue developing unique products. For this reason, Chinese SMEs in the international market, mainly stay at lower prices to win market, which will lose many overseas markets for some products. Meanwhile, from the current development trend, technical barriers are more and more important for Chinese domestic product and become the biggest obstacle to international operations of SMEs. The interviewee from Company A mentioned, “We think it is very important to let people recognized for our products in the overseas market, and we can add development and innovation.”

5.2 Internationalization drivers in Wenzhou shoes SMEs

Different from the model suggested by Etemad (2004), not only has an impact on the drivers of internationalization, Technological innovation also are needed to be taken into consideration for Wenzhou shoes SMEs. Most Chinese SMEs have to face one problem in their internationalization process. The product and services are lack of innovation. Under that condition, SMEs might be easily taken over by multinational firms especially when they do not have sufficient resources. Many of Wenzhou firms have already realized this challenge through the study. Therefore, this paper builds up a new model based on previous research. The push and pull factors as well as the innovation are all significant factors for overseas’ expansion of Chinese SMEs (Figure 4).

Figure 4: The drivers of internationalization: theoretical framework
Potential market attraction

Two companies stated that be motivated and attracted by potential opportunities in overseas markets. According to the case study questions, cultural and geographical situation were less important than chance opportunities because of the rising domestic labor costs and pressure.

In the internalization process, the enterprises adopt a variety of ways to explore the international market. The worldwide market potential is a big attraction for SMEs. Due to potential international market, the Chinese footwear SMEs continue expanding in the global market share. Wenzhou shoe enterprises conformed to this trend and actively carried out international activities and seek cooperation in the target countries. That will not only reduce production costs but also can easily avoid the non-tariff barriers and further reducing the cost of exports in order to win in the fierce international competition. The SMEs follow the path of global value chains to select the most appropriate resource integration model, which combined with the existing successful experience to further expand the international market. The manager of one company mentioned that as an international SME the potential overseas’ market drive the company to go global. A significant driver of the two firms is to find a large potential market for national investment or mergers and acquisitions of the local shoe company in the global footwear value chain. The current comparative advantages can be transferred simultaneously in both domestic and international market. Wenzhou shoes industry can take advantage of low labor cost in China to expand in foreign countries and to learn from other shoe-making enterprises, which is a gradual transition to the low-price countries from the resource integration. To integrating these resources, the Wenzhou shoe companies actively seek opportunity to become global footwear SME.

Technology innovation

With the movement of low-carbon activity, people have increasingly strong ecological concepts, which leading manufacturers also strongly appeal to promote energy conservation and low-carbon products. Green products are becoming new growth points. Meanwhile, the energy crisis affected countries in the world and Wenzhou SMEs have increased investment for technology innovation. Wenzhou shoe enterprises consider that as an opportunity to enhance core competitiveness by upgrading the technological content of products and increasing the value of the products. For instance, new shoes material, shoe fabric and glue are used in shoe-making equipment, which has improved the competition of SMEs in the internationalization. According to the survey, Wenzhou shoe enterprises try to control the sources of pollution, scientific and rational use of energy, which strives for greater development in promoting the shoe-making process.

The entrepreneurial characteristics of Wenzhou businessman
Managers operate in a complex environment and tend to form simplified models in order to deal with an uncertain environment and make competitive strategic decisions. Depending on the competitive forces they are facing, it develops several main-effect propositions according to managerial selection of competitive strategies. The people in Wenzhou are more business-oriented due to the local culture. Chinese media have described them as Jews in China. They have one important characterize, which is the first to develop new market and the most vigorous businessmen. Nowadays, they already put feet on the international market. As mentioned above, they are risk-taking person. Many of them have a substantial business in Europe and overseas’ market.

- **Macro environment**

Along with the global economic development, mutual connection and influence between countries and countries are becoming an essential trend. Meanwhile, Chinese government encourages enterprises to go abroad. From the research, Wenzhou SMEs get support from government in terms of financing and infrastructure building. Government has influence on each of the above determinants of competitiveness. Government also influences the supply condition of production factors, demand conditions and competition among firms, which can happen at local, regional, national level. While as the development of technology, more and more Wenzhou shoe SMEs are influenced by the Internet, which provides an intermediate tool for SMEs to attain overseas market knowledge so that to stimulate and accelerate the internationalization process.
6 Conclusion

Small and Medium sized Enterprises (SMEs) have begun to play a significant role in the Chinese economy as well as in the international trade. The globalization trends are occurring in SMEs as the information and communication development. Internationalization becomes a choice for SMEs when they cope with the challenged environment. However, in previous research shows that Chinese SMEs are usually lack of resources and capabilities, which might lose market power compared with multinational enterprises. Furthermore, many issues and obstacle would barrier the internationalization of SMEs. Hence, what are the motivations for Chinese SMEs to go global has become a popular research topic. This study has tried to understand of the drivers of Chinese footwear SMEs’ internationalization and case study connecting with shoe-making SMEs in Wenzhou province. This study has explained a mode of internationalization, which is learned from Chinese SMEs’ perspective. The framework includes push and pull factor as well as technology innovation, which integrated entrepreneurial orientation, human capital, the intensity of competition and niche market opportunities into a framework to study their impact on internationalization and in-depth to reveal the relationship between the variables.

This research studies the operation of the internationalization of SME from the push and pull perspective. Human capital is crucial for SME based on the entrepreneurial orientation that is an excellent driver for internationalization of the SME. External intensity of competition enables companies to continue to seek a niche market opportunity and meet the international operations. From these two major aspects to clarify the factors driving the internationalization of SME, which is a new attempt. Introduce the technological innovation to the research framework can make up the research on the relationship between the technological innovation and the degree of internationalization. The study identified that the niche market opportunity is not only made clear influence to SME internationalization, but also seeking new market opportunities will be a key driver to success during the internationalization process when SME encounter the fierce competition. Meanwhile, the Chinese government established related law to help SME in exporting and internationalization. A range of supporting regulations for the survival and development of SMEs are also provided by the government for the legal protection of SMEs, which successfully motivate Chinese SMEs to carry out international operations.

There are still some limitations of this paper. The case study did not cover all aspects of the Wenzhou shoe-making SMEs. Secondly, the result cannot be applied on all industries’ behavior of SMEs in China.
7 Appendix

Dear Sir / Madam:

Hello! This is a questionnaire designed to understand the internationalization of SMEs. The purpose is to understand the drivers related to the degree of international development and international performance of SMEs, to guide the internationalization of Chinese footwear SMEs. At the same time, it can also promote the international growth of SMEs and enhance competitiveness in international competition. Thank you for your attention to this questionnaire in your busy schedule, and thank you for completing this important questionnaire.

The final results of this research will be shared with your company. I promise that all the content you filled is used only for purely academic research, and strictly confidential and will not be made public. Please read the questions and make explanations.

Best regards

University of Gothenburg - School of Business, Economics and Law
If you have any questions, please call:
Meijun Tao
Tel: 008615065137600/0046735606408
E-mail: Meijuntaotao@gmail.com
Internationalization of SMEs questionnaire

1. Please can you provide a basic overview of your business:
   Company age
   Number of employees
   Main business product
   Annual turnover etc
2. Please can you provide some background information to your international business
   What type of operations
   When and why they commenced
   How significant they are for the business as a whole
   Any plans to expand overseas operations in anyway
3. What did you expect when your company started to go abroad?
4. What were the changes during the internationalization process? Give examples please
5. How did managers know what to expect?
6. What have been the most important challenges or problems after company go global?
7. Has the team participated in the internationalization process that changes significantly according to the way people work together/ the way they relate to customers or suppliers in other countries?
8. What are significant problems during the beginning of internalization?
   Technical knowledge or skill problem
   Cultural difference (working with people overseas, value and attitude)
   Government and trade association concern
9. Evaluate the following influence factors

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Unimportant</th>
<th>Important</th>
<th>Very important</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Similar customer demand in overseas</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Potential opportunities from overseas market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong competition and barriers to grow in domestic market</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Managers’ personal motivation</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Government support</td>
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<tr>
<td>Unique product and service to new markets</td>
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<tr>
<td>Similar cultures in overseas market</td>
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<tr>
<td>10. What are the main factors that help you operate successfully in international business except the factors mentioned above?</td>
<td></td>
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</tr>
<tr>
<td>11. What motivate your company to go for overseas market? Mentioned at least three important factors and why</td>
<td></td>
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</tbody>
</table>
Interview outlines
Before the interview Description: Give detailed explanation of what the purpose of the interview. Conscientiously explains how to use the enterprises’ data and want them to be able to cooperate and provide information earnestly.

Basic situation
1. Your age:
   ⊙ 20-30 years old; ⊙ 30-40 years old; ⊙ 40-50 years old; ⊙ 50 years and older
2. Your highest level of education:
   ⊙ graduate and above; ⊙ undergraduate; ⊙ college; ⊙ high school or secondary school; ⊙ junior high school and below
3. Your position:
   ⊙ president; ⊙ chairman; ⊙ general manager; ⊙ project director; ⊙ Operating Officer
4. Belong to which department:
5. Belong to which city / region:
6. Your company main product:
7. Year Established:
8. Company preliminary "going global" time:
9. Last year the international market value of Companies situation:
   ⊙ very low; ⊙ low; ⊙ general; ⊙ high; ⊙ very high.
10. Internationalization performance take accounts of the overall performance of Company: ___%

Your personal information (if convenient, please fill out):
Office Phone:
E-mail:

<table>
<thead>
<tr>
<th>Expand the research questions</th>
<th>Original data sources</th>
<th>Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>How does company create high international performance?</td>
<td>Company website</td>
<td>Influential Factors</td>
</tr>
<tr>
<td>- How is the entrepreneurship orientation?</td>
<td></td>
<td>Suggestions</td>
</tr>
<tr>
<td>- How is the competition in overseas markets?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- How to treat the niche market opportunity?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Internationalization
• Correlation between degree of internationalization and motivation of internationalization?
• How to reflect the impact of entrepreneurial spirit on the degree of internationalization?
• How to treat the niche opportunity, whether it will change the international level?

What are the factors that influence the degree of internationalization? (Give examples)

Your understanding of the motivation and factors that drives internationalization

<table>
<thead>
<tr>
<th>Internationalization</th>
<th>Media reports</th>
<th>In particular, the responsible person needs to make recommendations</th>
</tr>
</thead>
</table>

Please read the following statements in detail and draw "√" in the figure below the corresponding circle.
"1" means that you do not agree with this statement at all
"2" means that you do not agree with this statement
"3" that does not matter
"4" means that you agree with this statement
"5" means that you completely agree with this statement.

1. Company performance in the entrepreneurial orientation

<table>
<thead>
<tr>
<th></th>
<th>1 2 3 4 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Overall, the company operates more inclined to emphasize mature product (or service).</td>
</tr>
<tr>
<td>2</td>
<td>The company does not have a new product line (or service) in the last three years.</td>
</tr>
<tr>
<td>3</td>
<td>The manager would prefer projects with low risk low return.</td>
</tr>
<tr>
<td>4</td>
<td>When faced with peer competition, managers are usually the first to take action, and then competitors follow up or respond.</td>
</tr>
<tr>
<td>5</td>
<td>Tending as a &quot;follower&quot;, rarely the first to introduce new products, entering new markets, the first to adapt to the new management model or new technology.</td>
</tr>
</tbody>
</table>
Managers are busy with daily affairs, no time to grasp the opportunity beforehand, to respond to changes, and usually afterwards forced by environmental pressures to take action.

2. Company performance in human capital

<table>
<thead>
<tr>
<th></th>
<th>1 2 3 4 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The staffs’ skills are high.</td>
</tr>
<tr>
<td>2</td>
<td>The staffs are considered the best in the industry.</td>
</tr>
<tr>
<td>3</td>
<td>The staffs are very creative.</td>
</tr>
<tr>
<td>4</td>
<td>The staffs are very good in the workplace.</td>
</tr>
<tr>
<td>5</td>
<td>The staffs can actively develop new ideas and new knowledge.</td>
</tr>
</tbody>
</table>

3. Company awareness of competitive strength

<table>
<thead>
<tr>
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<th>1 2 3 4 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In foreign markets, the numbers of products are many types in our industry.</td>
</tr>
<tr>
<td>2</td>
<td>In foreign markets, there is a high level of intense competition in our industry.</td>
</tr>
</tbody>
</table>

4. Company awareness of the niche market opportunity

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1</td>
<td>The company is concerned to &quot;gap&quot; the external market demand.</td>
</tr>
<tr>
<td>2</td>
<td>The company is always able to see the opportunities that exist in overseas.</td>
</tr>
<tr>
<td>3</td>
<td>The company is looking for an external market, which has few competitors.</td>
</tr>
</tbody>
</table>

5. Company performance in technological innovation

<table>
<thead>
<tr>
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<th>1 2 3 4 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The company can provide a unique technology for international clients, and competitors cannot offer this technology.</td>
</tr>
<tr>
<td>2</td>
<td>The company’s technology and foreign competitors’ are completely different.</td>
</tr>
<tr>
<td>3</td>
<td>Technical quality of the enterprise is higher than foreign competitors.</td>
</tr>
<tr>
<td>4</td>
<td>Compared with foreign competitors, the strong</td>
</tr>
</tbody>
</table>
technological innovation can replace the previous poor technology.

6. Company performance in the degree of internationalization

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The enterprise has similar culture with and foreign market culture.</td>
</tr>
<tr>
<td>2</td>
<td>The Company covers wide foreign sales.</td>
</tr>
<tr>
<td>3</td>
<td>Overseas operations are in a large proportion.</td>
</tr>
</tbody>
</table>

7. Company performance in the internationalization performance

<table>
<thead>
<tr>
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<th>1 2 3 4 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Foreign sales play an important role in the proportion of total revenue.</td>
</tr>
<tr>
<td>2</td>
<td>Growth quickly in overseas sales.</td>
</tr>
</tbody>
</table>
8 Reference


