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HOW TO SUCCEED IN CHINA - INTERNATIONAL ENTREPRENEURSHIP AND ITS ADVANTAGES

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Abstract

Purpose

The purpose of this thesis is to outlay the advantages companies face when entering emerging markets, in this case China, through having an international entrepreneurial approach to business. In today's globalising market, companies face fierce competition, which only can be coped through a competitive advantage as a well planned strategic business plan.

Methods

For answering our research question and to fulfil the purpose of this study, we decided to complete a case study on an entrepreneurial company headquartered in Shanghai, China. To get a better overlook of what an entrepreneurial approach is driven we conducted a literature review and analysed the start up of the company with our findings.

Result and Conclusion

We can see that the Chinese government is increasingly encouraging international entrepreneurship in the country, which is strongly characterised by pro-activeness, learning within the organisation, experience and knowledge, factors compensating for the lack of resources in the SME's. Putting these into the context of our case company, there is an obvious focus on proactiveness and networks in order to operate on the Chinese market.

Keywords

Entrepreneurship, Internationalisation, International Entrepreneurship, China, Sweden, International business, Networks, Market knowledge, competing on a global market, market opportunities, barriers

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List of Abbreviations and Glossary

CEO	<i>Chief Executive Officer</i>
China	<i>Mainland China is referred to as China in the study</i>
COO	<i>Chief Operating Officer</i>
EU	<i>European Union</i>
FDI	<i>Foreign Direct Investment</i>
GDP	<i>Gross Domestic Product</i>
GEM	<i>The Global Entrepreneurship Monitor</i>
GTN	<i>Global Trade Networks</i>
GVC	<i>Global Value Chains</i>
INV	<i>International New Ventures</i>
JV	<i>Joint Venture</i>
MNC	<i>Multinational Corporations</i>
MNE	<i>Multinational Enterprises</i>
R&D	<i>Research and Development</i>
SME	<i>Small and Medium-sized Enterprises</i>
SOE	<i>State-Owned Enterprises</i>
WTO	<i>World Trade Organization</i>

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1. Introduction

The introductory chapter of this research provides a comprising overview of the current internationalisation in the world and why China is becoming the number one destination for foreign companies. Further the purpose of the study will be presented, followed by the problem discussion of the topic.

1.1 Background

The world economy has gone through a fundamental change during the past three decades, owing to the economic developments in terms of the structural changes that took place with the emergence of internationalisation beginning in the 20th century and the subsequent globalisation of companies and brands. Internationalisation is defined by the geographical expansion of economic activities over a national country's border and accelerated in the post-second-world-war era leading to a globalisation in the 1970s (Ruzzier et al., 2006). Globalisation on the contrary to internationalisation is defined by a stage in which the firm's operations are managed globally rather than locally, therefore characterised by worldwide integration and facing global competition. From being a world where countries are isolated from each other by obstacles such as trade barriers, time zones, distance, business systems, language and culture, there has been a move towards a more globalised world through the increased decline in these obstacles (Hill, 2009).

The continued process of globalisation has contributed to companies forced adaptation to markets at an increasingly rapid speed (Ruzzier et al., 2006). The progress in telecommunications and transportation are shrinking the perceived geographical distance in the world, creating increasingly similar consumption patterns worldwide and a decline in trade barriers since World War II are merging nations into a more integrated and interdependent global economic system. Globalisation has allowed companies in both developed and developing countries to increase its revenues through expanding internationally (Hill, 2009), with China becoming the world's greatest potential market (Hasegawa et al., 2009).

From being a closed country, China has since the gradual opening in the 1980's and due to its engagement in global trade networks (GTNs) and global value chains (GVCs), experienced a rapid development during the past decades (OECD, 2011), and currently serves as the fastest

growing emerging market. Since then the foreign direct investment (FDI) flows into China have been growing continuously, placing the country as the number one receiving country of FDI in the world (OECD, 2013).

The population of 1.3 billion people constitutes a market with great potential, expected to become the world's second largest consumer market in 2015 (McKinsey, 2013). China's fashion market is expected to triple its turnover to USD 211 billion by 2020, a number driven by the increasing Chinese middle-class population, which has led to a heavy influx of many international brands trying to position themselves on the Chinese market (Reuters, 2011). The Chinese middle class population is up from 4 per cent in 2000 to 68 per cent in 2012, and the continued growth will be driven by financial reforms, political and labour market initiatives as well as a greater importance of private enterprise, which will stimulate employment and income growth. By 2022, 75 per cent of the country's urban population is expected to earn between USD 9800 and 21000, within the range for middle class income. With this change in population, increased gross domestic product (GDP) and an increasingly globally minded generation of Chinese consumers, new consumption opportunities and dynamics will occur and shift the demand towards upper-end products, creating market opportunities for global competition. Also, the rapid growth in terms of population and GDP, will most likely create a shift towards an increasing demand for domestically produced products, rather than foreign products (McKinsey, 2013; OECD, 2011)

Sweden is often cited for its innovations, much owing to the success of Volvo, IKEA and H&M. Also, the more recent established companies, such as Skype and Spotify indicate the on-going process of successful internationalisation of Swedish companies (The Guardian, 2013). Sweden's entire growth has been characterised of a large and growing international dependence. Most explanations for the Swedish industrialisation have their origin in the importance of export, which is showed in facts as the trading volume having become 600 times larger in comparison with the 1850s and thereby growing faster than the GDP. This shows that Sweden's foreign trade has a leveraging effect for productivity and development (Schön, 2007). Today, the total export sector constitutes 46 per cent of Sweden's GDP, creating one of the main income sources (Business Sweden, 2014).

1.2 Problem Discussion

China, having the second largest market and the world's greatest population, is filled with great potential for international retail expansion, as it has to be considered the only market where fashion consumption is increasing due to China's improved economic situation. Whereas Europe has been facing a continuous decrease in fashion consumption, due to the economic crisis of 2008 and the following recession (McKinsey, 2013).

Along with the possibilities posed by the Chinese market due to its size and growing market potential due to the increased economic development, the varying and unsustainable demand shifts of the population have to be considered. The Chinese market structure is very diverse due to large differences in income between citizens of large metropolitan areas as Shanghai and the more rural areas (OECD, 2013).

International markets are marked by their culture, which is reflected in the specific countries' business and mother culture, legal barriers and consumer preferences. Apart from these cultural barriers international markets differ due to their stage of economic development, balance of payments, the type of economic system, the political-legal-, technological-environment as well as local-foreign competition and the subsidies offered by foreign governments (Amorós and Bosma, 2013). An entrepreneurial approach for coping with these set circumstances thereby will differ depending on the country specific settings. Regarding the Chinese market, the answer for how to succeed is depending on how the specific company out forms its strategies and thoughts surrounding the following issues: market differences, (business) culture, consumer preferences and legal aspects (Knight, 2001; Kotabe and Helsen, 2004).

The Chinese business culture is marked by a strong Confucian influence and focusing on collectivism, harmony, trust and interrelations amongst employees accompanied by profound respect for hierarchy, seniority and success (Hasegawa et al., 2009). Hofstede's cultural dimension theory reflects this in China's large power distance and high masculinity index shown in the Chinese people need to ensure success causing many Chinese to sacrifice family and leisure priorities to work. Still the employee commitment to organisations is usually low causing high staff turnover in China (The Hofstede Centre, 2014).

Differences in consumer preferences are present in music, culinary as well as fashion taste. Clothing for instance is one of the most fundamental human needs and the demand also reflects social and cultural aspects. Factors such as age, income, social status, ethnicity and gender also have a great impact on the demand. The clothing industry is therefore very competitive and volatile and depends on companies' abilities to predict and influence the consumers' demand. The level and distribution of personal income is the most important determinant, affecting both the level and composition of demand (Dicken, 2007).

During the past decade, the Chinese fashion consumers have started preferring more fashion-oriented brands to previously high demanded sportswear brands. The numbers of Chinese brands are surging, leading to less market space for international brands. Therefore, Deloitte suggests international companies aiming to enter the Chinese market, to do it within the near future of five to ten years, before the domestic brands achieve a market share too powerful to penetrate (Deloitte, 2013).

Apart from the cultural dimensions, the concepts of "Guanxi", personal relationships between individuals, and "Face", the importance of good image and reputation play a significant role in the Chinese business culture and leadership, which is emphasising on patience, politeness and modesty. "Guanxi" can be translated into networks and is the main driver for business in China, neglecting the importance of creating reliable and trustful networks means an immediate failure for the business (Hasegawa et al., 2009).

The main issue when internationalising an operation is trying to satisfy the country specific customer through considering the cultural preferences, as a given culture is marked with a specific consumption process. This is an aspect that can be difficult to conduct, when operating on an international market and trying to satisfy a variety of needs and attitudes simultaneously. The approach of using local ideas and management systems is a common facilitation among international operations (Kotabe and Helsen, 2004). Along with creating a product that is demanded in foreign markets and meeting consumer preferences or creating strategies for making products desirable which might not meet the cultural settings in a specific country, legal aspects as trade barriers and entrance restrictions also have to be considered (OECD, 2012; Naudé and Rossouw, 2009; OECD, 2013)

The legal circumstances in China still make the government the entrepreneur, as the possibilities for foreign entrepreneurship into China is regulated through the cooperation willingness of the Chinese government. Being able to cope with hinders posed by the merge cultural differences, companies have to consider these aspects in contrast to increased revenues for ensuring a profitable investment. These circumstances request high market knowledge, which only can be achieved through deep market research. To manage their resource restrictions small and medium enterprises (SMEs) have to develop a strategic competence, which is able to interact with the external environment, in means of committing marketing skills and likewise key strategic approaches (Liao and Sohmen, 2013; OECD, 2013). These factors create a field where the international entrepreneur serves as the intermediary, matching the external environment to the strategic approach to business (Ruzzier, 2006; Knight, 2001).

1.3 Purpose and Research Question

The purpose of this study is to analyse how a rather newly started distribution company benefits from an international entrepreneurial approach when entering Chinese market. Based upon the following question, we wish to reach a result.

How does international entrepreneurship facilitate the expansion of distribution companies?

1.4 Delimitation

Comprehensive research has been conducted ahead of deciding the specific area of research. From starting with looking at Swedish fashion export to foreign markets, we spotted a strong trend in exporting to China and eventually managed to narrow down the research to an investigation of a relatively novice Swedish Born Global company in China to see what factors actually affect the choice and design of market expansion for this specific type of companies in this industry.

We have chosen to limit the coverage of this study to the growing market of China and the main reasons for choosing this market as the country of investigation is the combined growth in the market potential, as well as the on-going Swedish fashion export to the country. By limiting this study, we are able to turn their total focus to the specific characteristics of the Chinese market, thus securing a thorough and valid analysis answering the research questions.

Since the start of this thesis we have been well aware of the fact that we most probably would not be able to draw general conclusions. With regards to the overall reliability and validity, gaps limiting our capacity to draw too general conclusions can be spotted. As the case study is based on one single company's experiences in such a great market as China, it would be ignorant to assume that these answers and characteristics apply to all Swedish fashion firms or distribution companies expanding to the country, and also, by conducting this from a China-based Swedish company's perspective, this study is delimited by geographic location and the results should be seen as limited to this market only. Instead we wish to give a solid insight into *one* way of doing it, providing current research with a deep analysis of a very specific area.

2. Theory

The following chapter will give an introduction to the research field of international entrepreneurship and its drivers and forces. Further it will provide an explanatory base for the reader for understanding how an entrepreneurial approach can facilitate expansion into international markets, in this case China. It will also give an overlook of how entrepreneurial activity diversifies itself on a global scale.

2.1 International Entrepreneurship

International entrepreneurship is the latest emerged research area in the internationalisation field, defined as the intersection of an entrepreneurial perspective and international business when considering the internationalisation process of SMEs (Oviatt and McDougall, 2000).

An SME is defined in the European Union (EU) Law and mainly determined by its size and number of employees of up to 250 or 500 employees in Europe and the United States respectively (European Commission, 2014c).

Previous research on companies' internationalisation has mostly focused on multinational enterprises (MNEs), as the main theories regarding internationalisation focused on explaining why nations trade, continuing into explaining why firms internationalise. Over the past years small and medium enterprises (SMEs) have gained greater acknowledgement due to their increased involvement in international trade, resulting from the continuous globalisation and technological improvements easing for communication across national borders. The importance of the entrepreneur in small and medium sized enterprises is significant and

cannot be neglected regarding how successful the internationalisation process of a company will turn out. Entrepreneurs can be defined as the strategist in an internationalisation process, through matching the firms' capabilities, in means of its strengths and weaknesses in its surroundings of environmental opportunities and threats (Ruzzier et al., 2006; Knight, 2001).

MNEs strategies have mainly been built on huge investments implemented through their large resource accessibility, capability and market power, whilst SMEs lacking these resources have gained greater importance since the beginning of the 1970s through entrepreneurial thoughts and actions (Knight, 2001). The increasing importance of SMEs activity on an international scale is a spill over created by the forces of globalisation. Increased competition and MNEs activities in combination with greater opportunities when operating on foreign markets as well as the possibility of scale operations are push factors for SMEs to follow the internationalisation stream (Knight, 2001).

2.2 Definition and discussion of the topic

When researching the field of international entrepreneurship both entrepreneurship in multiple countries, in means of cross-country comparisons of the entrepreneurial activity as well as cross-border entrepreneurship, in means of international activity of SMEs and new ventures has to be considered. Especially cross-border, in means of export activities, reach great support by governments as these contribute to accessing new knowledge and in general are growth generates. The latter will be more relevant regarding our thesis and we will therefore focus on cross-border entrepreneurship in the continuing chapter (Oviatt and McDougall, 1994; Hessels, 2008).

Entrepreneurship

Entrepreneurship is characterised by being value creating both at the firm level and economy-wide level due to its attributes of new venture creation and new economic activity creation. Therefore entrepreneurship is known as an important tool for boosting national economic development through generating employment and innovation. However, the result of entrepreneurship is country-specific consequently a positive correlation is not always present (Ruzzier et al., 2006)

Internationalisation

Internationalisation is an umbrella term for firms starting an operation in foreign countries, including direct and indirect export, contractual and licensing agreements and international strategic alliances. Internationalisation also has attributes as being a process-based activity, which was explained by the traditional incremental internationalization theories as the international stage theory by Johanson and Vahlne (1977). From this perspective internationalisation is offering the possibility for organisational learning through experiencing foreign markets. A more recent finding also proposes the existence of a linkage between internationalisation and entrepreneurship as it can be declared that internationalisation has entrepreneurial aspects as it involves risk taking, innovativeness and pro-activeness (Ruzzier et al., 2006). Therefore internationalisation can be defined differently as researchers are focusing on different attributes (Lu and Beamish, 2001; Johanson and Vahlne, 1977, 2009; Knight and Cavusgil, 2004).

International Entrepreneurship

Determining a satisfying definition of international entrepreneurship is not an easy task as it is covering a wide range of areas. McDougall and Oviatt (2000), who have conducted deep studies on this field defined international entrepreneurship as *“a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations”*. Thereby the corporate level of entrepreneurship is taken into account as the definition includes individual, group and organisational levels of behaviour and academic study (Oviatt and McDougall, 2005).

Further research by Shane and Venkatarama (2000) regarding entrepreneurship emphasises the importance of opportunities and individuals striving to take advantage of these. Therefore McDougall and Oviatt redefined their findings including opportunities, permitting but not requesting the formation of new organisations, allowing for corporate entrepreneurship, rendering unnecessary debates of how many dimensions entrepreneurial orientations include and lastly highlighted entrepreneurship across national borders:

“International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services” (Oviatt and McDougall, 2005)

As the internationalisation process of SME's gains greater importance nowadays, the entrepreneurial factor has to be given greater accreditation than before, as it widely is recognised for being the main variable in SMEs internationalisation (Ruzzier et al., 2006).

Along with the internationalisation process of SMEs and research on international entrepreneurship, the focus also has shifted on SMEs internationalisation in an early phase of its development, known as "born globals". McDougall and Oviatt name this phenomena international new ventures (INV) through combining theories of entrepreneurship and international business, which generally is defined by companies starting their internationalisation within two to five years from its start-up or companies which are founded outside its home country (Oviatt and McDougall, 1994; Oviatt and McDougall 1995).

The speed of internationalisation further is dominated by the external environment, which is present on the foreign market, classified into enabling, motivating, mediating and moderating factors by Oviatt and McDougall (2005).

Category	Typical Determinants
Enabling factors	Technological intensiveness, information and communication technologies, transport
Motivating factors	Domestic competition, domestic regulation, institutional features
Mediating factors	Entrepreneur's characteristics, perceptions, entrepreneurial orientation, background, experience
Moderating factors	Knowledge, networks, learning

Table 1: Factors of International Entrepreneurship, Source: Oviatt and McDougall, 2005.

As named previously internationalisation traditionally was dominated by MNEs due to their advantage of resources, thereby having the main responsibility for international trade flows and FDI, the prime driving attributes of globalisation. However, SMEs are compensating for its lack of financial resources through the competitive advantage of having unique resources as network relationships (Oviatt and McDougall, 2005).

Other characteristics of SMEs and INV's internationalisation, which distinguishes them from MNEs, are its liabilities of newness, as facing greater risk of failure and its liabilities of foreignness, due to its disadvantage in comparison to local firms in the environment, as well as the importance and key role of the manager. The importance of networks has already been acknowledged and recognised in as well researches of international business and entrepreneurship (Oviatt and McDougall, 1994; Johanson and Vahlne, 2009; Coviello and Munro, 1997; Bell, 1995). Especially regarding international entrepreneurship network theories are an explanatory variable for internationalisation but even Johansson and Vahlne (1977) acknowledge its importance in their stage based Uppsala model.

It can generally be concluded that the main characteristics of an international entrepreneurial approach are pro-activeness, learning within the organisation, knowledge and experience, efficient use of resources, opportunity indulgence and taking as well as network access which require independence within the organisation as well as an market oriented approach (Knight, 2001; Oviatt and McDougall, 1994). Whereas an market oriented approach, as market research, investing in international market operations as well as adapting products to suit foreign market conditions not always assurances success it still improves the companies decision making (Knight, 2001; Knight and Cavusgil, 2004).

2.3 Key Factors of International Entrepreneurship

2.3.1 International Entrepreneurship: Market-Oriented Approach

Market research can be implemented through considering the market and the present consumption process, which can be divided into four explanatory sequences: access, buying behaviour, consumption characteristics and disposal; known as the A-B-C-D paradigm (Raju, 1995).

Access, in means of both physical as economic, is composing the first step in global marketing through providing access to the product for the culture specific consumer. Followed by the buying behaviour, which constitutes of all factors affecting the decision making within a culture, including perception, attitude and consumer responses in means of brand loyalty.

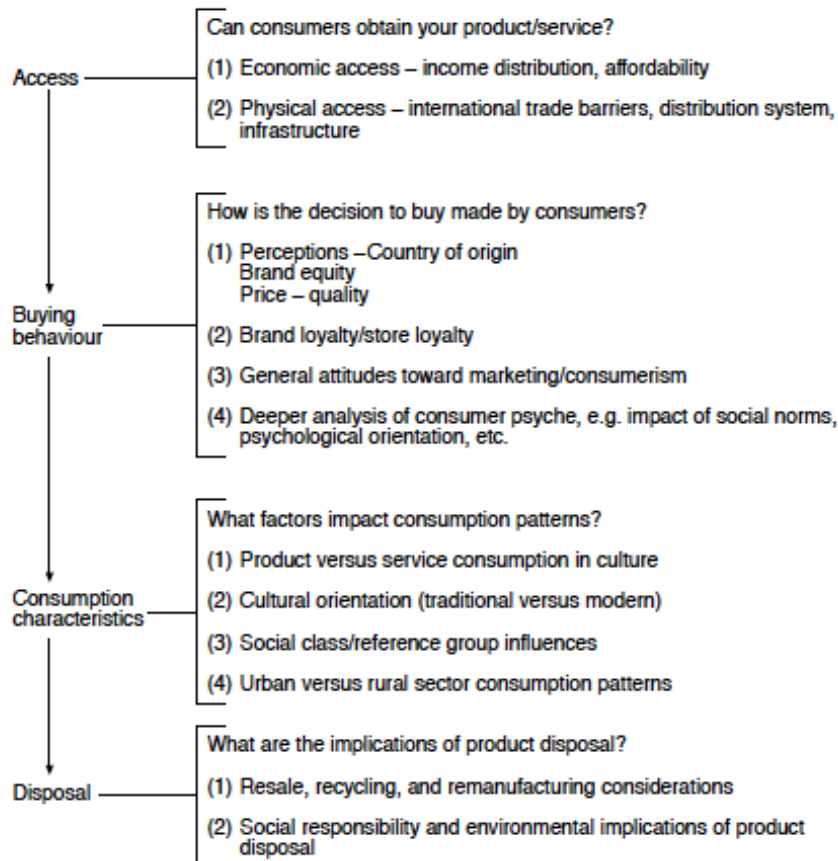


Figure 1: The A-B-C-D Paradigm, Source: P.S. Raju, 1995.

The consumption characteristic focuses on the consumption patterns in different cultures, in means of driven by traditional or modern cultural orientation and social class distribution. Lastly, the consumer preferences regarding disposal have to be met as the amount of countries being environmentally conscious is increasing continuously (Raju, 1995; Kotabe and Helsen, 2004).

2.3.2 International Entrepreneurship: Proactive Approach

International entrepreneurship has its pillars in its corporate structure, as the entrepreneur himself or the companies' entrepreneurial approach. An entrepreneurial orientation is associated with emphasising innovative promotions and offers, risk taking and an overall proactive approach to business, which will lead to superior performance of operations in foreign markets. A proactive approach is the opposite of reactivity and is defined by business' strategies, which are designed to anticipate any possible challenges or obstacles through emphasising on the implementation and follow-ups of tasks (Ruzzier et al., 2006; Knight, 2001; Oviatt and McDougall, 2000). SMEs are characterised by these factors, as often being more innovative, adaptable and generally having a shorter response time regarding new

technologies and meeting specific buyer needs, making it easier to cope with the internationalisation process (Knight, 2001).

Further, Knight (2001) defines pro-activeness by actions as implementing market research, fast reallocation of resources to specific activities as well as implementing other adaptations to the international market for reaching the market in the most efficient way. Pro-activeness can also be related firms possessing a clear advantage, opposed to MNCs advantage of operating scale economies, SMEs have to compete by being first with launching a valuable product or service (Oviatt and McDougall, 1995).

2.3.3 International Entrepreneurship: Learning within the Organisation

Through internationalising its cooperation the company emphasizes a learning process, as it has to learn to cope with the foreign country and create new business plans to handle the differences in business culture, cultural in general, consumer preferences but also technological learning (Knight, 2001). The importance of learning is sufficient regarding international entrepreneurship. McDougall and Oviatt (2000) state that young firms usage of its learning opportunities in foreign environments can result in a potential competitive advantage ensuring faster growth possibilities as through reclaiming the newly gained experiences in other internationalisation projects (Johansson and Vahlne, 2009).

2.3.4 International Entrepreneurship: Knowledge and Experience

Knowledge and experience influence how fast an internationalisation process can be conducted and is obtained through the entrepreneurs' earlier experiences. Greater knowledge about the internationalisation process, due to previously gained international experience will result in a faster internationalisation process, as the companies accumulated knowledge can be reused (Knight and Cavusgil, 2004). Therefore, in some cases it can possibly be more favourable being a newly started SME in comparison to older companies, which already are settled domestically. As the latter have gained a strong domestic extension, they will face greater barriers when internationalising their operation, than companies choosing to start internationalising their operation in earlier years (Oviatt and McDougall, 1994).

Knowledge is also positively associated with an entrepreneur's possible opportunity exploitation as well as efficient usage of resources, which will be especially beneficial in case of limited resources (Coviello and Munro, 1997; Oviatt and McDougall, 2000; Knight, 2001; Knight and Servais, 2003).

2.3.5 International Entrepreneurship: Network Access

Networks are defined as relationships amongst people or companies connected through resource exchanges (Coviello and Munro, 1997). The network aspect plays one of the most important roles regarding SMEs success whilst internationalising its business and strategic market choice. Due to SMEs resource restrictions, the dependency on a supportive network is much greater than for large mature MNCs (Oviatt and McDougall, 1995).

The importance of networks has already been acknowledged and recognised in researches of international business and entrepreneurship. Especially regarding international entrepreneurship network theories are an explanatory variable for internationalisation but was already acknowledged by Johanson and Vahlne (1977) in their stage based Uppsala model. Network accessibility does not only facilitate the establishment of business operating in foreign markets it also simultaneously contributes to an increased credibility of the companies reputation as well as extending the company's capability to perceive and exploit market possibilities (Oviatt and McDougall, 2005).

The core elements for the existence of network relationships are personal relationships and trust. Through establishing networks international entrepreneurs can benefit of these to gain access to rare resources, reduction of transaction costs, gain new knowledge and skills and follow rapid technological changes for improving its strategic position (Bell, 1995; Oviatt and McDougall, 1994; Coviello and Munro, 1995; Coviello and Munro 1997).

2.4 Measuring Entrepreneurial Activity – The Global Entrepreneurship Monitor (GEM)

To get an overview of how the national entrepreneurial activity is composed, the entrepreneurial activity has to be set in relation to the population aged between 18 and 64 years, which either are starting up new ventures or are driving a business younger than 42 month. Yearly, the Global Entrepreneurship Monitor (GEM) is conducting national measurements regarding entrepreneurial activity through calculating a Total early-stage Entrepreneurial Activity index, TEA. When analysing the entrepreneurial activity, countries are divided into three categories, depending on the level of their economic development: factor-, efficiency- and innovation-driven economies. Whereas factor-driven economies are positively correlated with high scales of entrepreneurial activity and positive attitudes to

perceiving business opportunities in comparison to countries in efficiency- and innovation-driven economies (Amorós and Bosma, 2013).

A part from this aspect the main characteristics of factor-driven economies are the development of institutions, infrastructure and macroeconomic activity, whilst market stability and higher education systems are characteristics for efficiency-driven economies. Innovation-driven economies on the contrary rather focus on the entrepreneurial framework conditions for boosting the economic development than efficiency enhancers, which are more important in the two previous mentioned economic stages (Gemconsortium, 2014).

These findings are reflected in geographical patterns showing that for instance individual in Sub-Saharan African economies have a greater tendency perceiving businesses than those economies located in the EU, which primarily host innovation-driven economies (Amorós and Bosma, 2013).

Therefore the level of economic development is one explanatory variable for the level of entrepreneurial activity, but even within similar levels of economic development differences regarding an entrepreneurial attitude is present. For instance in efficiency-driven economies both high rates of perceived opportunities and capabilities were found as in Latin America and Caribbean, whereas economies in Eastern Europe and Asia Pacific with similar environmental circumstances represented lower levels. Similar findings were present in innovation-driven economies, where the capability perception measured high rates in the Nordic economies (Finland, Sweden and Norway) compared to southern Europe, such as Spain and Greece, which had low rates of capability perception. Concluding, also variables such as cultural and social issues impact on the attitude toward entrepreneurship, apart from the economical and geographical factors (Amorós and Bosma, 2013; Gemconsortium, 2014).

REGION	FACTOR- DRIVEN ECONOMIES	EFFICIENCY- DRIVEN ECONOMIES	INNOVATION- DRIVEN ECONOMIES
Asia Pacific & South Asia	India, Philippines, Vietnam	China , Indonesia, Malaysia, Thailand	Japan, Republic of Korea, Singapore, Taiwan
Europe – EU28		Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic	Belgium, Czech Republic, Finland, France, Germany, Greece, Netherlands, Portugal, Slovenia, Spain, Sweden , United Kingdom

Table 2: Outlook Asia-Europe from GEM Economies, Source: Geographic Region and Economic Development Level (Amorós and Bosma, p. 25, 2013).

2.4.1 Sweden and its Position Regarding International Entrepreneurship

The latest TEA scorings showed a relatively low level of entrepreneurship in Sweden in comparison to other countries, which was confirmed by other studies as conducted by OECD and Eurostat. In 2012, Sweden reached a score of six per cent in entrepreneurial activity thereby ranked as 57th out of 67th participating countries. The main reason for this result is “necessity” of starting up companies in Sweden is rather low, in means of Sweden being a developed country with a wealthy economy whereas countries that are higher ranked a generally more pore thereby having greater necessity starting up new ventures. The poverty level therefore is a driver for starting up companies. Sweden on the contrary, as many other countries marked by a high economic standards, are driven by its population’s willingness to implement their ideas and build companies on their innovations. With a population so innovative, it has taken many companies to the international markets (Amorós and Bosma, 2013; Gemconsortium, 2014; Braunerhjelm et al., 2012).

2.4.2 China and its Position Regarding International Entrepreneurship

China is placed as being amongst the efficiency-driven economies and having rather low levels of entrepreneurial activity. As mentioned previously efficiency-driven economies are focused on providing smooth mechanisms as proper functioning markets through higher

educational systems, goods and labour markets and technological readiness which is an earlier stage of economic development to reach higher attraction and enabling more entrepreneurship (Gemconsortium, 2014).

Due to the restrictions that have been present in China throughout its history, entrepreneurial activity could not develop as straightforward as in other economies. China's take-off into an efficiency-driven economy, which in the future will grow into an innovative-driven economy, was thus hindered. Through time there have been three different types of entrepreneurial activities in China: a small-scale movement into small-scale activities in the retail and service sector (gethi); highly educated engineers or SOE managers operative on large scale; foreign educated Chinese returning to China for starting up businesses (Amorós and Bosma, 2013; Gemconsortium, 2014; Liao and Sohmen, 2001).

2.5 Earlier Research

Since China re-opened the doors to its economy to foreign investors in 1979, it has made great amendments in order to attract foreign investment (Pan and Tse, 2000). As of 2013, China is the largest recipient country of foreign direct investment (FDI) receiving more than USD 117 billion (The World Bank, 2013).

The country has gradually accumulated experience on creating an attractive environment for foreign firms by introducing laws and regulations encouraging and protecting investments. China has been striving hard to increase multinational firms' confidence for the country. The number of foreign multinational firms seeking to expand its business operations to China is, and has so been for the past decade, increasing rapidly. The most common form being to place production segments in the country (Pan and Tse, 2000; Cui and Liu, 2000).

In 2013, foreign firms stood for 27.1 per cent of the country's industrial outputs and nearly 55 per cent of total exports, playing an important role in the growth of the Chinese economy. Foreign firms' market share in the apparel industry has between 1998 and 2009, dropped from 50 per cent to 39 per cent, owing to the progression of local firms within this industry. Foreign multinationals have instead gradually shifted its focus to more technology and capital-intensive industries (Chang, 2013; OECD, 2013).

Foreign multinationals expanding to China in the beginning of the Chinese re-opening tended to focus on high-end markets through product imports or the locally assembled imported parts, having competitive advantages in technology and brand. Back then, China focused mostly on low-end products, thus resulting in foreign and local firms having different market segments and not competing with each other initially. With the increased globalisation and competition in the Chinese market, this has changed greatly since the 1990's. The early requirement from the Chinese government, requiring foreign firms to enter with local partners via forming joint ventures has been relaxed. According to studies by Chang (2013), the joint venture requirement was often not appreciated by the biggest foreign firms, as this entry mode did not ensure the protection of intangible resources such as technology, brand and patents, resulting in firms feeling reluctant to enter China. The eased entry requirement has resulted in multinational firms becoming increasingly more willing to bring with more intangible resources to China, creating a win-win situation for both parts (Chang, 2013).

International entrepreneurship in China is positively associated with the education level and skills of the individual entrepreneur and the estimated number of employees, while the lack of market competition and fear of failure discourage international entrepreneurship. By the change in politics and economics as well as the international competition in China, Chinese companies are setting its eyes on the international market and are expected to have a rapid growth internationally (Alon and Lerner, 2008). The Chinese government's actions are creating a more supportive environment for international entrepreneurs; also the Chinese population is viewing private businesses in increasingly better light (Sebora and Li, 2005).

The choice of international markets is often related to cultural similarities, economic development and policy liberalisation of the host market. Despite its importance for the Chinese economy, not many studies have been made on Chinese SME's or Chinese companies over all. Instead much of the literature on this topic is focused on Europa and the United States. As with internationalisation in other countries, Chinese companies expand internationally also to benefit from the competitive advantages of other markets, such as resources, skills and networks not available in the domestic market (Alon and Lerner, 2008).

Zheng (2005) states that companies, which are highly innovative more often, prefer using intermediaries and other market entry modes rather than direct export. His study also suggests that as the Chinese market potential is growing, Chinese companies might use all their

resources to meet the domestic demand, leaving no possibility to internationalise. International entrepreneurs generally not only require more employees, but also certain experience and skills, which puts pressure on the managers to find qualified staff in order to succeed with its international plans. Alon and Lerner (2008) suggests that while the design and quality of the product plays a significant role, factors affecting the international entrepreneurship in China even more are the company size, specific characteristics of the individual entrepreneur and entrepreneurial tendency.

3. Methodology

The following chapter is aiming to define and validate our selected type of methodology. The chapter will firstly discuss diverse types of research design; introduce both the qualitative and quantitative research method that will build the explanatory base for our choice of research approach. This will culminate into a discussion and explanation of our choice of research method, as well as a case study on our case company ÅÄÖ Brands.

3.1 Research Design

Research design is defined as a concrete description of research methods. The basis of the research design is comprised by the research strategy, illustrating the wide-ranging direction of how the research is conducted. The two main approaches of research strategies to choose from are qualitative and quantitative method. There is also a third possible, unofficial option, which is to conduct a mix of the two previous mentioned research strategies (Bryman and Bell, 2011).

Which option that is the most advantageous to choose depends on the research project and the pledged research question. The qualitative approach is characterised by having an inductive relationship between research and theory. As the qualitative research method is focusing on interpretations, it can be recommended for studies, which are gaining to reach deeper insight and understanding of the research subject (Bryman and Bell, 2011).

The qualitative research approach is also characterised by the use of previous studies on the substance. Hence, it is focusing on quality of information and its inductive relationship between research and theory. The quantitative research approach is described as implying the collection of numerical data and the main characteristic is the usage of measurement.

Quantitative research methods can therefore be considered beneficial if the research is focusing on quantification of information and if the relationship between theory and research is characterised as being deductive, in other words, where the emphasis is put on testing theories to confirm or falsify statistical data (Bryman and Bell, 2011).

As the specific angle of our research has not been considered before and we are using a single company for our case study in hope of gaining greater insight, the characteristics of a qualitative research as being exploratory and adaptable (Bryman and Bell, 2011) match our approach in the best way.

Our study can be summed up in a linear process, which was characterised by firstly collecting theory, followed by outlining the research problem, which could be responded best through qualitative interviews with ÅÄÖ Brands, which is focusing on Swedish fashion brands recently emerging the Chinese Market.

3.2 Qualitative study

Definition of qualitative research: *“Qualitative researchers aim to gather an in-depth understanding of human behaviour and the reasons that govern such behaviour”* (Denzin et al., 2003).

Qualitative research turns its principal focus on understanding the social environment through investigating the perceptions of the individuals in that specific environment. In the first chapter of this research, we defined one research question to lead us through the process of our research (Bryman and Bell, 2011).

The question seeks to understand which characteristics affect the expansion strategies of Swedish distribution companies in China. Our research will be an interpretation of the first-hand information of our case company, which are specific knowledge and characteristics affecting Swedish fashion companies' emergence on the Chinese market. Being able to answer this, we need to perform a qualitative research rather than a quantitative one (Bryman and Bell, 2011).

Bryman and Bell (2011) argue that qualitative research should be essential in testing existing theories, especially in recent time where theories are becoming increasingly mature. To achieve a deeper understanding of a certain subject and to open the organisational process, it

is essential to ask “how” and “why” questions, according to Doz (2011). There have been many studies within Western firms expanding to China, yet the qualitative research within this specific field has been lacking.

Bryman and Bell (2011) suggest there are four contrasting traditions included in a qualitative research, showing the difficulty in putting an exact definition of what a qualitative research is:

1. Naturalism: seeks to understand social reality through providing information of and in between individuals in a natural setting.
2. Ethnomethodology: seeks to comprehend how social order is created through communication and interaction.
3. Emotionalism: deals with subjectivity and the possibility to gain inside information.
4. Postmodernism: emphasises the different ways social reality can be constructed.

3.2.1 Case study

The most common way to conduct a qualitative research is to carry out a case study. A case study is the social survey research on an individual case aiming to reveal important feature about its nature (Bryman and Bell, 2011). It is the end product of a field-oriented research rather than a strategy or method (Merriam, 2009).

Knowledge acquired from case studies differ from that acquired from research in four ways. Case study knowledge is more concrete, contextual, formed by the reader’s interpretation and based more on reference populations determined by the reader, as well as designed in relation to what information the researcher is seeking for. We focus on the four characteristics mentioned above, adding the possibility for us to get in-depth description and analysis of a bounded system, a single entity with boundaries. As case studies are strongly intertwined with real-life circumstances, it results in a comprehensive view of a phenomenon, and is commonly applied on within a field’s processes (Merriam, 2009).

This methodological choice gives us the chance to interview our case company ÅÄÖ Brands to achieve understanding to our research question. The main advantage of a case study over other research methods is that it allows us to have a research closely connected to reality instead of printed sources only. Additionally, the existing theories are limited and mostly

based on a quantitative research, creating a knowledge gap regarding the entrepreneurial approach of international SMEs.

Finally, as the aim of this study is to achieve a greater understanding of the company attributes, which are of most relevance to successfully cope with the external environment in foreign markets, we are of the belief that a qualitative case study is the well suitable method for our study.

3.3 Data Collection

Combining different methods of data collection give the researchers a solid foundation to interpret a certain phenomenon in a new guise, as well as enhance the reliability of the study. The data collection of this study has therefore been focused on different methods. We have used primary and secondary data collection. The latter data collection is characterised by studying previous research regarding our topic as books, journals and articles whilst primary data is known as gaining information through first hand sources as conducting qualitative interviews. Through using different approaches we have been able to increase the validity and reliability of the study (Merriam, 2009).

Our secondary data is mainly based on peer-reviewed journals, which have been accessed through databases as GUNDA and Emerald. The library of the School of Business, Economics and Law at the University of Gothenburg has also been a source for collecting the secondary data.

It has been suggested a qualitative research does not intercept the complete nature of the research area, and by conducting in depth interviews; the overall credibility of the study can be enhanced. We have therefore interviewed four key people within our case company, using the same sets of questions. The interviews with Chief Executive Officer (CEO) Aron Fredriksson, Business Development Manager Fabian Fredriksson, Marketing Manager Christian Lindberg and Brand Manager Edison Jin were chosen to ensure wildly different perspectives on the company and its operations. As all interviewees are based in Shanghai, we have conducted our interviews via Skype, while additional follow-ups have been conducted via email.

The Skype interviews had duration of approximately 60-75 minutes and were carried out in the presence of both researchers. To achieve information that could be connected to our theory research, the interview questions were based on our purpose, research questions and theoretical framework. General questions giving an overall picture of the company were formulated, but much focus was put to formulate questions aiming at reaching the in depth knowledge of the four interviewees.

We proceeded from the interviews by producing a summary of the collected information and sent it to the interviewees in order to receive their, if any, opinions on alterations. As the thesis procedure developed, follow up questions were made to fill in the found gaps, and to make sure our interpretations of the interviews were made correctly. This was carried out to ensure the reliability of the study, as suggested by Merriam (2009).

3.4 Reliability and Validity

Reliability is determined by that if the study is repeated, to which extent will it eventuate in the outcome. This can be an obstacle as human behaviour and perception differ between individuals despite being active in the same environment, resulting in different interpretations of the same data. The main focus for qualitative research should be put on whether the results are consistent with the collected information (Merriam, 2009).

Validity is often cited as the most important feature of a case study, concerning if the study actually measures as it is designed to. Further it sees if the study is performed with regard to objectivity, if outcome can be generalised and most importantly, if it responds to the purpose of the research (Bryman and Bell, 2011). By interviewing four key people holding wildly different positions (CEO, Business Development Manager, Marketing Manager and Brand Manager) within our case company, it has resulted in a broad picture of the company and its activities from various perspectives as the interviewees all hold wildly different positions within the company, thus securing the reliability and validity of the study.

3.4.1 Choice of Case Company – ÅÄÖ Brands

By conducting a case study on a Swedish company, ÅÄÖ Brands, based in China, which handles the distribution of six Swedish fashion brands' clothing in the Chinese market, we saw the possibility to achieve the goal of answering to our research question. ÅÄÖ Brands is a Shanghai and Hong Kong based Swedish fashion brand agency, retailer and distributor, which is main responsible for the distribution and opening of stores for brands such as Cheap

Monday, T-shirt Store and Elvine in China (ÅÄÖ Brands, 2014). We wish to look into ÅÄÖ Brands' background and its view on Swedish fashion companies' expansion in China, focusing on expansion strategies and its relation to international entrepreneurship.

As stated above, the reliability and validity of the case study is of most importance and by focusing on a company working with six wildly different brands, a wider perspective on the expansion strategies of Swedish fashion companies are ensured than if the study would have been conducted on a single brand company, such as H&M or Björn Borg. At the same time, considering Yin (2008) suggestion that a cross-case analysis is very challenging and case study researchers in the initiating stage should therefore focus on one single case.

Through focusing on a company, which assists Swedish fashion brands' establishments in the Chinese market will help us answering our research question. Moreover, the result will contribute to the existing theories regarding international entrepreneurship and especially international SMEs in China since as far as our knowledge extends, this field is yet to be investigated.

3.5 Analysis

According to Yin (2008), the analysis is the most difficult aspect of conducting case studies. It is of great importance that the adequate presentation of the data collected is combined with careful and comprehensive interpretations (Yin, 2008). Data analysis is the process of making sense out the collected data, and to make a correct analysis of the data, the first step is to decide how to narrow down the study in order to get precise results. This requires consolidating, reducing and interpreting what the interviewees said and what the researcher perceived (Merriam, 2009).

The complexity in the process also results in the moving to and fro between data and concepts, inductive and deductive argumentation, as well as description and interpretation. The data analysis should if it along with the case study, has been designed and carried out properly, result in answer to the research question (Merriam, 2009). Taking these aspects into account, we have during the process of this research aimed at narrowing down the collection data in order to centre our attention to our stated purpose.

The earlier presented theoretical framework functions as the frame for analysing the empirical evidence. The information received during the interviews was first transcribed before being divided into segments matching the theory and the propositions stated in it, utilising the pattern-matching logic, suggested by Yin (2008). We believe this structure provided us an accurate way of connecting the theory with the collected data from the interviews.

4. Contextual Background

In this chapter, we will present the contextual background we find suitable in order to acquire a wider picture of Swedish fashion brands' expansion strategies in the Chinese market. We will start with a short introduction on Chinese history leading up to now, continue with the current situation and sum up with a presentation of Eastern fashion brands in China.

4.1 The Recent Economic History of China

China started its recovering from the Cultural Revolution when reforms begun by Deng Xiaoping in 1980, creating special economic zones, resuscitation of agriculture and industry, and approved the return of the private entrepreneur. The so-called "opening to the outside world" has resulted in a tremendous recovery in social, political and economic terms during the past 30 years (Hasegawa et al., 2009).

As China looked for access to the global market for its exports, they strategically decided to apply for admittance to the World Trade Organization (WTO) in the mid-1990, and finally received full membership in 2001. Along with the entry into WTO, China had to start applying WTO rules and therefore increasingly granted greater access to the Chinese market for foreign companies. A process that is still accelerating tremendously (Gerth, 2010).

With the WTO membership, corruption will be of utmost importance if China wants to maintain its competitiveness (Dunning, 2004). This connects to China receiving a corruption perception index ranking of 3.5 in 2007, any number below 5 on the index reflecting a serious level of perception of domestic corruption, according to Transparency International (Hasegawa et al., 2009).

Firm growth and economic development require the nations to have a stable and solid monetary policy, but also a strong anti-corruption policy. Many firms entering foreign

countries encounter different levels of corruption. It is essential for MNEs to understand the nature of corruption in the foreign markets before it decides on entry to the market (Rodriguez et al., 2005). The difficulty in eliminating corruption in China, a common example being bribing government officials in order to reach better deals, is recognised by both Chinese and foreign companies. A more efficient legal infrastructure and transparent corporate governance are seen as the best way of lower the corruption rate (Hasegawa et al., 2009).

4.2 Regulations Affecting the Operations of Foreign Companies in China

As western brands are heading east to exploit the market possibilities, their main goal is to explore the highest possible returns on their investments, requiring entering the market independently as this requests the highest control over its operation. However, the Chinese markets' constitution makes this attempt difficult as entering the market obliges a deep knowledge regarding international expansion strategies (Deloitte, 2013). The main strategy amongst western multinational corporations (MNCs) has been to penetrate big emerging markets, including China, using FDI. Yet, these strategies do not always turn out being the most successful, discounting the major varieties due to regional disparities within the market (Cui and Liu, 2000).

The relaxed Chinese regulations of FDI has started encouraging multinationals to establish businesses on their own instead of together with a Chinese partner company. Also, Chinese companies are gaining increasingly more knowledge and hopes to expand globally are growing, making it harder to decide on the share of the partnership. An advantage of choosing the joint-venture approach is the quick access to local knowledge and experience. If deciding for a joint-venture, some actions are especially important, such as managing talent in the Chinese market, assuring operation control of the joint venture, choosing local partners that have the same strategic goals, as well as the protection of intellectual property rights. (McKinsey, 2010).

Property rights are legal rights over the use to which a resource is put and over the use made of any income that may be derived from that resource. Resources include land, buildings, capital, businesses and intellectual property. After 14 years of work trying to bring forward regulations to protect property rights, China finally adopted the *Property Law of the People's Republic of China* in 2007. With the huge changeover in the Chinese economy during the past 30 years, this law was much needed to encourage private enterprises, now comprising two

thirds of the economic activity (Hill, 2011). Though, there are still major concerns about to which extent this law actually protects property rights, according to the European Commission (2014b). The legal proceedings can be lengthy and inadequate, and companies therefore instead utilise more operational solutions, for example, only bringing older technology to China or keeping highly important intellectual property entirely outside of the joint-venture (McKinsey, 2010).

To achieve efficiency and profit within international trade, fewer trade and investment impediments are required (International Monetary Fund, 2012). Both non-tariff and tariff barriers function as a hinder to a perfect market, subsequently creating an economic loss and resulting in higher consumer prices (Root, 1994). Tariff trade barriers are enforced to collect revenue for the government or to protect domestic industries against foreign competition, with the governments must setting the tariffs rates on a proper level to maximise the tariffs revenue. A non-tariff barrier is a way to restrict trade, but not in the form of a tariff. This form include quotas, sanctions, anti-dumping, levies and embargoes, and are often used by developed nations in order to control the amount of trade. This form of trade barrier is becoming increasingly more common as developed countries have gradually cut tariff rates in accordance with WTO policies (European Commission, 2014b).

Removing trade barriers and impeding the return of trade protectionism are of most importance and an urging task challenging China, the EU and the United States. These three actors are the most influential on the condition of the worldwide economy and therefore each of its decisions has an impact globally. In 2013, the EU managed to advance the process of removing a few of the most trade-distortive barriers that hamper European companies entry to the Chinese market (European Commission, 2014b).

China's accession to the WTO was a great achievement in search for a more integrated world economic system, finally being able to benefit from trade liberalisation and increased market accession (Ma and Yang, 2010). China is, despite the WTO membership, still enforcing trade barriers significantly affecting the world trade. The size of the market and the rapid development constitutes a market with great potential. However, a reduction in trade barriers is required to continue expanding the trade between the European Union (EU) and China. EU stresses some matters, which still needs to be further developed. These include Chinese policies and non-tariff barriers which might hinder European companies access to the Chinese

market, the heavy governmental role in the economy, leading to a extremely strong position on the market for state-owned enterprises, and subsidies and financing not being accessed equally (European Commission, 2014b).

The EU-China trade has increased rapidly during the past years with China being one of the EU's most rapidly growing export markets. The EU is anxious to see China trades fairly, regard its enforced intellectual property rights, as well as, play by the rules stated by WTO (European Commission, 2014a). China has initiated significant steps in order to adopt a more business-friendly environment for investments. In September 2013, the country established the China (Shanghai) Free Trade Zone, a trial in the opening-up and reform process currently on-going in China. It is viewed with high hopes of becoming a starting step in reducing investment restrictions (European Commission, 2014b).

In late 2013, the EU together with China, launched talks on a comprehensive EU-China Investment Agreement, aiming to ensure transparency, liberalisation of investments and providing market access and protection to investors and its investors from both parties. This is seen as a solid step in the future cooperation between the two parts (European Commission, 2014a).

4.3 Western Fashion Companies in China

Fashion chains are facing difficulties coping with the diverse national competition in the Chinese market. However, fashion companies such as the Swedish H&M, Spanish Zara (part of the Inditex group), Forever 21 which is the biggest retailer of teenager fashion wear in the United States, have been able to successfully establish themselves due to their size and greater resources, being able to handle the risks and needed investments (Åkeson, 2014).

H&M started its China expansion in 2007 and since then its prior focus has been on new store openings, as it constitutes H&M's largest expansion market. As stated in the company's annual report, China is and will continuously be the most potential market due to its large population and improved economic circumstances. Compared with 2013's opening of 71 new stores in China, which is an increase by 53 per cent, the expected number of new stores is 90 in 2014, which means a total amount of 320 stores, nearly the double amount of its stores in its home country Sweden (H&M, 2014; Åkeson, 2014).

To gain a secure position in the market and being able to compete with other western fashion giants, such as Inditex and Gap, immediate actions are needed which and many companies head East due to the extreme growth in the region. Also the expected increase in the importance of domestic goods increases the significance of entering the Chinese market immediately. Especially the Spanish Inditex group, which includes ZARA and Massimo Dutti amongst others, is steadily increasing its store openings in the Chinese market, already reaching a number of 500. In amongst these European fashion chains, the American fashion label GAP is also focusing on the Chinese market. To keep up the expansion rate, GAP is even prioritising closing domestic stores in order to concentrate all available resources in the growing, profitable market (Åkeson, 2014; Inditex, 2013).

However, many western retailers are struggling keeping its market position in China. The largest United States' do-it-yourself chain Home Depot and the United Kingdom based retailer Tesco PLC were forced to close its operations in China in 2012. Other companies such Wal-Mart Stores and Carrefour SA, which were amongst the earliest entrants into the Chinese market are also struggling keeping its businesses alive. Causes for the failures were blamed to be a slowdown in the Chinese GDP, however the retail sales growth was accelerating. China being a difficult industry for international expansion, the macroeconomic level not solely is responsible for the market failure of retail brands. The main failure of Home Depot, Tesco, Wal-Mart Stores and other was neglecting the circumstances present in the specific market. China still being one of the main producing economies has a large variety of products making consumers very price sensitive. Also the markets difficulties, as the legal and political barriers, the variety of tastes among regions, but also the massive increase in real estate prices, which at the moment are at its peaks, have to be coped (Forbes, 2012).

The Swedish fashion brand Björn Borg decided in 2011 to expand its brand to China through a joint venture, aiming to take part of the important growing market and thereby placed opportunities. Its first shop opened in Shanghai on the luxury West Nanjing Road, but was available through whole China via an online-shop. The launch was planned to generate an annual growth surplus around 10 per cent, however the investment failed and Björn Borg is planning to close down its China operations in near the future (Björn Borg, 2013).

5. Empirical Data

This chapter will present our empirical findings we have conducted in our research. The empirical data has been collected through interviews with CEO Aron Fredriksson, Business Development Manager Fabian Fredriksson, Marketing Manager Christian Lindberg and Brand Manager Edison Jin were chosen to ensure wildly different perspectives on the company and its operations.

5.1 Background of ÅÄÖ Brands

ÅÄÖ Brands, established in 2010, is a Swedish fashion brand agency based in Shanghai, China. Being the only multi-brand showroom in China, it is able to offer unique services within the fields of distribution, retail and marketing, through maintaining a team of staff with cross-cultural and extensive expertise.

Currently ÅÄÖ Brands is working with six different brands in its showroom: Elvine (Swedish), T-Shirt Store (Swedish), 5 Preview (Swedish but based in Italy), Marshall Artist (British), A Question of (Danish). Its newest brand is a contract with WHYRED (Swedish) where sales are starting in Spring Season 2015.

Elvine - Brand Presentation

Elvine is a Swedish, Gothenburg based fashion label, mainly focusing on denim but still aiming to offer a varied line of an effortless elegance. The brand has a well-told brand story, which is based on Elvine Mändel, a seamstress in Estonia who fled to Sweden during the Second World War. Her daughter's son Daniel Mänd, born in 1975, started the brand by opening up a street wear store aiming to create a brand that could be identified with him and Gothenburg's street culture made in the tradition of his grandmother. Elvine is producing everyday wear clothes, with the vision to create everyday wear that is suitable for all occasions: Sophisticated clothes for unsophisticated behaviour (Elvine 2014; ÅÄÖ Brands, 2014).

T-Shirt Store - Brand Presentation

Swedish T-shirt Store had its first store opening in Malmö 2006 and since then it has expanded with continuous openings in Sweden, Great Britain and China. It was created in the frustration of standardised offerings from multiple retail stores. T-Shirt Store's ambition is to

offer an amazing variety of designs with high quality. In order to achieve this goal they are focusing on high rotation of new prints and small run production to be able to deliver new designs every week. As the company name suggests it focuses on sales of T-shirts and their statement is that your favourite T-shirt should be a personal garment (T-Shirt Store, 2014; ÅÄÖ Brands, 2014).

5 Preview - Brand Presentation

The fashion label 5 Preview started out in a small apartment in Rome, Italy in 2008, as Emeli Mårtensson, Swedish designer and illustrator, decided to release a small, graphic T-shirt collection. Her first 5 pieces collection of expressive illustrative style became popular quickly, resulting in an expansion of the label from a small T-shirt line into the complete collection of today with 150 pieces including both women's, men's, children's wear and accessories. The brands are experimenting with colours, all over prints and multiple fabrications. Originating in Rome, it is also based in New York and has today finally settled its head office in Stockholm, selling to over 50 countries worldwide (5 Preview, 2014).

Marshall Artist - Brand Presentation

Marshall Artist is a London based fashion brand established in 2001, which quickly emerged to become one of the United Kingdom's best-loved menswear brands. The brand is available at some of the UK's finest stores as Jones and Selfridges of London. The brands has gained high consumer recognition over the years and is today distributed in the United Kingdom, the United States, Canada, Denmark, Japan, Korea, China and Australia. Marshall Artists communicated brand philosophy and core values can be summarised as producing socially relevant wearable menswear, which is showcasing their British eccentricities. Their aim is to build a sustainable brand and keeping their slogan "Modern Tailoring for Modern People" alive (Marshall Artist, 2014).

A Question of - Brand Presentation

A Question of is a Danish fashion label established in 2010 by two friends sharing passion for making sustainable living a simple choice. Their underground inspired designs of organic T-shirts rapidly gained the interest of fashion stores all around the world, from Paris to London and Tokyo to Berlin. Their success has contributed to an expansion of the previous solely T-shirt based collections, now ranging from edgy, comfy sweatshirts to shirts, though still with a focus on sustainability. The brand's vision is to create fashion that is healthier for both the

environment and consumers. A Question Of is characterised by the mix of chemical free materials and a unique design (A Question Of, 2014; ÅÄÖ Brands, 2014).

Cheap Monday - Brand Presentation

The Swedish label Cheap Monday, started in March 2004, as the tight denim with the skull logo hit the market. The company has its origin in 2000 when Örjan Andersson and Adam Friberg started a second hand store in a Stockholm suburb, called Weekend as it only was opened Saturdays and Sundays. As the store was a success they decided to expand the store together with Lasse Karlsson, opening up a bigger shop in central Stockholm, called Weekday, as it was a full-time concept. Complementing the stores high fashion and exclusive denim brands mixed with second hand clothing range, the first Cheap Monday style “Tight” was born, which turned out to be an immediate success. Due to the high demand of the brand it was expanded into a whole collection for men and women (Cheap Monday, 2014).

5.2 The Entrepreneurial Foundation of ÅÄÖ Brands

The idea of creating ÅÄÖ Brands came when CEO Aron Fredriksson, who first started doing business in China in 2007, signed the master franchisee agreement with T-Shirt Store Stockholm for the China market in 2010/2011. The initial plan was to expand this Swedish retail concept in China starting from first tier cities such as Shanghai to test the market before moving on into second (for example Chengdu) and third (for example Hangzhou) tier cities. Shortly after the opening of the first T-Shirt Store in Shanghai 2010, the sales numbers turned out very differently than expected. Mr A. Fredriksson realised that the retail environment in China differed greatly from the European markets in terms of product demand all year around. Compensating for the drastic decline in demand for T-shirts during the winter season, they decided to expand its product line, mainly consisting of T-shirts with additional external brands covering segments such as jeans and sweaters. One of these brands was the H&M owned company Cheap Monday. The distribution agreement with Cheap Monday attracted other retail stores in Shanghai to buy external brands directly from ÅÄÖ Brands’ retail store as they could not acquire the brands on their own. At the same time ÅÄÖ Brands noticed the lack of fashion distribution companies in the Chinese market, as well as the great opportunities of starting one, leading them to slowly turn the retail business into a distribution business.

Simultaneously, something of a golden opportunity arose, as the Hong Kong distribution agency WardrobeK wanted to establish further in the Chinese market. Due to the major differences in clothing consumption in different Asian markets, the cooperation led to splitting the Asian market between the two distribution companies. Hence, ÅÄÖ Brands is responsible for a part of the brands in China, whilst WardrobeK is responsible for the brands in the remaining parts of the Asian market. For instance, the brand Elvine is not distributed in Hong Kong market due to the climatic conditions not requiring thick winter clothing.

ÅÄÖ Brands was founded as a holding company in Hong Kong by CEO Aron Fredriksson and a Chinese partner, Chief Operating Officer (COO) Julia Kuo. Despite its Swedish background, it has never had a physical office in Sweden; instead it has always been based in China. Mr A. Fredriksson states that having a Chinese partner when doing business in China can be a big advantage when it comes to legal matters, as well as local business networks. The main reason affecting his choice to partner with a Chinese partner was the fact that the two partners had different skills and knowledge that complimented each other very well.

The company currently has 16 employees at its office in central Shanghai, but aims to expand their workforce to around 20 people, depending on how the sales will develop in the near future. The company strives to have a brand manager for each brand as it takes much dedication and time to see if one brand is successful in the market. The employees at the Shanghai office consists of three Swedes, one French while the remaining employees are Chinese. They have not consciously composed the staff to reach cultural contagion, but have chosen the personalities who fit best into the profession. The Chinese employees are generally very ambitious and hard working, but are not very initiative and questioning due to a very hierarchical mind set compared to Swedish employees.

Most Swedish brands engaging ÅÄÖ Brands are already established in other European markets, but it has to be kept in mind that China is a whole new market. Most common problem with these companies is the unawareness of that the Chinese market is not as large as expected, although there are over 1.3 billion people. It is a totally different market than the Swedish one and the consumer quality is not the best, in means of its purchasing power. First tier cities as Shanghai and Beijing are very forward in comparison with other cities in China, whilst many companies believe that other cities are the same. Companies need to be realistic and patient and have to adapt to Chinese standards and not vice versa.

Business Development Manager Fabian Fredriksson means it will take time before China becomes a strong operator in fashion even if it is growing very fast. Domestic Chinese brands are not that successful, which is rather not advantageous as more Chinese brands would lead to higher fashion consciousness amongst the Chinese population and thereby benefit ÅÄÖ Brands. Still there are incredibly big Chinese brands that never have made the step outside of China.

5.3 Distribution Strategies of ÅÄÖ Brands

When a brand wants to expand into China through ÅÄÖ Brands, the first step is to investigate whether the brand is a sufficiently good brand and thereafter it is taken into the showroom. Around 200 brands contact ÅÄÖ Brands annually wanting to enter a contractual agreement with them. However, there are not many brands that have sufficient high quality to meet ÅÄÖ Brands' requirements on cooperation. They look for brands with a high standard both in clothing quality, professional collaboration, as well as agile and fast communication, something that Swedish brands usually represent.

The brand is then exposed to current customers in presence of a brand manager. As the brand history is of major importance in China, the brand manager whilst presenting new brands especially considers these aspects. The first test, which has to be comprised, is to sell off the remaining stock of older collections that failed in the European market in as short time as possible. Due to the tough crisis in the fashion trade, many clothing brands in Europe have large inventories to. This procedure clearly states which products are selling and lays out the consumer preferences, effectively collecting statistics over what could be presented in the showroom. Through operating with sell offs, these excess stocks can be handled without facing an unbalance on its domestic market.

ÅÄÖ Brands is currently distributing several brands in the Chinese market doing mainly distribution business, which means it establishes brands and distribute them in the Chinese market through distribution agreements. It also provides brand marketing services and stock sales services known as flash sales. Mr F. Fredriksson works a lot with this flash sales segment of the company, which is a service taking part of the strong growth of the E-commerce trend in China. A flash sale constitutes a 7-15 day selling period where they take in large quantities and sell the products at a discounted price both online and offline. This ensures ÅÄÖ Brands' brands that their products are exposed maximally and reach maximum

sales during the limited sale period. This is an effective way for businesses to get rid off large inventories, increase customer awareness of its own brand and to quickly analyse which products are sought after in the market.

At present, it is exclusive distributor for mostly Swedish fashion brands, meaning it is the only distributor for the specific brand in China. Thereby ÅÄÖ Brands takes on a function as an intermediary, acting between the specific brand and customers, for example Chinese department stores. Since the start the market has been growing steadily and they see an increased demand for its products every new season. Today, ÅÄÖ Brands is the leading distribution company in its area. The company is not aware of any proper competitors and therefore states "it is not difficult to be the greatest when you are alone". However the lack of competition is not anything they sought for as competition only is a sign of a healthy market, with space to expand and develop.

Before starting at ÅÄÖ Brands, Christian Lindberg was employed as a journalist during a year and thereafter worked in the music industry for two years. Mr Lindberg feels that his immediate good start in China with good job opportunities was much thanks to making the right social contacts from the start. From these early connections, Mr Lindberg has developed an extensive network in the Chinese fashion industry, including bloggers and editors, which is important as key opinion leaders are starting to take off in China.

Mr Lindberg claims that contacts are the key to success in China, especially when it comes to launching new products or brands on the market. The contacts are needed for being able to promote the brands in the right way, as well as convincing that the products are the new trend. Owing to these networks, ÅÄÖ Brands has been able to have Chinese celebrities wear their products on different official events. Collaborations that would have been impossible to secure if not for the networks, much due to the high costs involved in having celebrities promote your products.

ÅÄÖ Brands has overall built up an unique network of contacts and expertise in distribution of European brands in the Chinese market with currently no direct competition. However, it does not prevent other companies' entrance on the market, though it will take time as stated by Mr F. Fredriksson, "*It would be hard to compete against us, but of course not impossible*".

To attract attention, Mr Lindberg tries to promote products in a unique way as for instance in his previous job where he promoted headphones, he preferred promoting them as a fashion product rather than a technical music product. The story behind the brand, the so called brand story, is of major importance when it comes to the Chinese market, therefore emphasising on the Scandinavian origin is significant when marketing for instance the Cheap Monday brand. The company believes that this Swedish origin gives extra value to the Chinese customers, making it possible for Cheap Monday to charge higher prices on its products in China than in Sweden as they also indirectly target the middle class/upper middle class.

Brand Manager Edison Jin declares that Swedish brands generally have a very good reputation and that there is a great demand for Swedish brands, as Sweden is viewed as a “fashion wonder” in relation to its population. The fact that Swedish brands are sought after in the Chinese and Asian market facilitates the distribution of the brands. Swedish brands are not only bought with regard to its Swedish origin, as its quality and design reputation also play a significant role. This opportunity has to be captured, which many Swedish companies have accomplished well.

To succeed in the Chinese market, which has a fast rate of change, an up to date and proactive marketing department is needed. ÅÄÖ Brands is mainly marketed through "word of mouth" in China, a satisfied company advises another. They use much Chinese social media such as Weibo (China's equivalent of Twitter) and Weixin/WeChat (China's equivalent of WhatsApp) to reach the market. The use of social media does not only minimise marketing costs, it also allows them to receive statistical data of the demand and attractiveness of new lines/products. Mr Lindberg explains this by giving an insight into their daily routine of posting trial advertisements online, one in the morning and one in the evening to see when people are more open towards receiving advertising through analysing the incoming likes.

As China is such a large market, it is not surprising that new companies need help with the distribution of its brand. Therefore, a correlation between company size and companies eagerness cooperating with ÅÄÖ Brands is existent. Brands contacting ÅÄÖ Brands are usually established in the European and sometimes in other Asian markets, whilst China still is an unfamiliar and new market to cope with. Therefore the choice of obtaining a distributor is a natural step. The companies minimises its risk emerging the market through ÅÄÖ Brands, as it quickly can see how its products are working before entering the market. There are only

a few cases of Swedish clothing brands that entered the Chinese market by themselves, for example Björn Borg and H&M. However, not many have the needed capability to emerge the market independently. ÅÄÖ Brands have faced many different companies trying to position themselves on the market, which failed and forced to close down its operations. A common mistake big companies commit is transferring the responsibility of launching the brand to big marketing companies, which are investing the resources in the wrong end, for example hosting big events which cost much without leading to any sustainable effects.

The company has not experienced any bigger culture clashes nor having to relinquish its own values to please the Chinese customers, but stresses the importance of adapting to China and its culture in order to be successful in the country. It will be extremely difficult for a company if they do not take the different culture into account. Mr A. Fredriksson emphasises the importance of speaking Chinese as the main key factor that has helped him tremendously during his business years in China. He states that the language is not only essential when communicating locally but it also give you a deepened cultural knowledge that is very essential to understand the way of doing business in China.

ÅÄÖ Brands works with two main selling seasons, spring/summer and autumn/winter, whereas summer and spring 2015 are in progress now. The fact that deployment orders are placed six months in advance is an unfamiliar circumstance for Chinese businesses, but which has to be accepted if wanting to cooperate with ÅÄÖ Brands. Mr F. Fredriksson has experienced Chinese customers who have placed orders in the office and asked for their garments as they leave the office.

However, common problems ÅÄÖ Brands encounter whilst operating in China are if products are produced in a country other than China, import duties and regulations or Chinese public holidays can cause a delay in the import of the products. The company is not generally affected by other legal means apart from this. The main problem in this case is the problems that cannot be remedied.

ÅÄÖ Brands' activities have been developing in the past years mainly through paying more attention to the brand mix. An available paradox with Swedish fashion brands is that these often are very sophisticated, no logos, not so recognisable while Chinese consumers are extremely oriented towards visible logos, with Cheap Monday clothes with the well-known

fatal skull motif selling very well. ÅÄÖ Brands has adapted to these and therefore take in more clothing with logos instead of more "plain" clothes for the Chinese market. The company currently has two so called shops-in-shops in China, one for Cheap Monday and one for T-Shirt Store. Mr F. Fredriksson says there is an increasing trend in these kind of shops where brands share a larger area, giving a department store feeling. As ÅÄÖ Brands is doubling its sales each season, new store openings are in discussion but which brands are yet to be decided.

Mr F. Fredriksson says that the absolute benefit of the Chinese market is that it is one of the few markets in the fashion sector that is still growing, due to a growing middle class and an increasing number of the Chinese population becoming more fashion-conscious. Since European fashion trade has decreased to such an extent over the recent years, it further pushes for expansion into new markets such as China. ÅÄÖ Brands believes there is no deadline for companies' expansion into China, as it is never too late for good brands to become great in any market at all. The right place and right time criteria is applying now but also in the future. China has not been open for too long, therefore it would be a drastic proposition saying it is too late.

Mr A. Fredriksson believes the key factor behind *success* is very different from case to case. He says Swedish entrepreneurs for a long time have had the advantage of Sweden being in the world front within many industry sectors. This is probably the main key factor behind the success of several Swedish entrepreneurs in creating new businesses and bringing new ideas to markets beyond Sweden.

ÅÄÖ Brands does not have a 10-year plan; instead focus much on how to improve things on a daily basis. However, they believe they will be the leading fashion distribution company in Asia in the upcoming years with the biggest fashion distribution network within China and hopefully also have the future opportunity to expand far beyond the borders of China and Asia. Mr F. Fredriksson is not worried about the, by many proposed, economic bubble in China, as he states "*people will always need clothes*". The bubble rather affects the huge luxurious department stores, which have been built and stand empty after six months; this mainly is the result of not sufficiently contemplated decisions. This thought is supported by Mr A. Fredriksson, stating that they are not worried as they still are the only multi-brand showroom in China. Rather he does not see competition as a threat, instead believes that

competition can have a very positive impact on how you develop your business: “*Competition is great when striving for continuous development and I would really like to see that more entrepreneurs came to China and did just like us.*”

6. Analysis

When considering our theory regarding our empirical material we have the basis for analysing our asked research question:

How does international entrepreneurship facilitate the expansion of distribution companies?

The main characteristics of international entrepreneurship were as mentioned previously to have a market oriented and proactive approach to business, learning within the organisation, knowledge and experience and the great importance of networks (Bell, 1995; Coviello and Munro, 1997; Knight, 2001). Our case company has until today successfully been launching western fashion brands on the Chinese market and has growth and expansion expectations for the future. With its close to 20 employees it clearly has the characteristics of an SME and an international entrepreneurship approach, being founded in Hong Kong as a holding company accompanied by a Chinese business partner.

As stated in our empirical data, China is offering a market with growth opportunities:

“...The absolute benefit of the Chinese market is that it is one of the few markets in the fashion sector that still is growing due to a growing middle class and an increasing number of the Chinese population becoming more fashion-conscious...”(Mr F Fredriksson, ÅÄÖ Brands, 2014).

The external environment therefor allows, or even seeks, companies to take advantages of an international entrepreneurial approach. An entrepreneurial approach, driven by opportunity and risk taking, has the needed capability, flexibility and knowledge to cope hinders and problems, which companies are facing when expanding into an international market.

Ruzzier et al. (2006) saw the strengths of an entrepreneur in an internationalisation process, in his capability to match firms' capabilities in its surroundings of environmental opportunities and threats. In the case of China, the environmental opportunities clearly is its market

capability, having the world's largest population with an increasing middle class, whereas the market diversity due to consumer preferences, cultural settings and competition, as well as restrictiveness and legal barriers complicate the launch of new ventures on the market.

McDougall and Oviatt also considered the speed of internationalisation, determined through external environmental factors: enabling, motivating, mediating and moderating factors.

In case of our study all these factors were of importance, but enhanced our empirical findings especially the mediating factor, in means of the entrepreneurial actor, as well as the moderating factors, in means of knowledge, networks and learning, seems so play an even greater role regarding the success on the Chinese market, as it is the driving force of enacting an opportunity. Along with the mediating the moderating factor also is significant, as knowledge and learning are crucial for a company's further existence on a foreign market. Therefore we focused on emphasising on key factors covering the characteristics of mediating and moderating factors when analysing the field of international entrepreneurship enhanced our case company (Oviatt and McDougall, 2004).

When correlating our empirical findings with our theoretical framework we consider, which of our earlier proposed characteristics of international entrepreneurship have been of most importance and usage for ÅÄÖ Brands to facilitate the expansion on an emerging market, as in our case of China.

Ranking (1 to 5)	Aron Fredriksson CEO	Fabian Fredriksson Business Development Manager	Christian Lindberg Marketing Manager	Edison Jin Brand Manager
1	Agent's or distributor's capacity and network	Product design	Agent's or distributor's capacity and network	Product design
2	Your own knowledge of the market	Agent's or distributor's capacity and network	Product design	Agent's or distributor's capacity and network
3	Product design	Marketing/ Communication	Marketing/ Communication	Your own knowledge of the market
4	The maturity of the market	Your own knowledge of the market	The maturity of the market	The maturity of the market
5	Marketing/ Communication	The maturity of the market	Your own knowledge of the market	Marketing/ Communication

Table 3: Interviewees Rank of Most Important Attributes of Successful International Entrepreneurship, Source: Own Compilation, 2014.

Case Company's Market Oriented Approach

It has emerged an international trend to expand businesses on the Chinese market for taking part of the possible profits. However, the right approach is distinctive when trying to expand, as many western companies have not been able to meet the consumers' preferences and coping hinders posed by legal circumstances. Neglecting the culture is one of the greatest mistakes of western companies, as the culture also affects the Chinese way of making business and the customers' behaviour and preferences. Also the Chinese purchasing power is rather unstable, making the market very volatile, as fashion consumption is still in its early stages, especially in the rural areas still comprising the main part of China. This is the reason why our case company as well as companies overall often start their Chinese market expansion in first tier cities before moving on to second and third tier cities. Market knowledge and market research before expanding on an international market, especially on one distinctively different from the home market, is crucial for creating a successful and sustainable market position (Knight, 2001).

Our case company copes with the circumstances through engaging an approach, which applies to the A-B-C-D (Raju, 1995), as trying to satisfy the market demand through considering

market access, the country specific buying behaviour, consumer patterns and disposal habits on the market. As stated in the interview with our case company, brands have to comprise multiple stages to ensure that launching the brand will be profitable. The stages of Raju's paradigm (1995) are covered through presenting the collection in the showroom to test the overall reaction of it, followed by sell offs of the excess stock to outlay which products are profitable and consumer preferences leading to a statistical overview of the demand.

Case Company's Proactive Approach

The proactive approach is accomplished by ÅÄÖ Brands through being the only fashion distribution company offering this specific knowledge and managerial skills to help European brands establish on the Chinese market. Through analysing the market possibilities and demand, and being risk aware as well as focusing on the diversity of the market the company has developed a unique skill leading to profitable launches. As defined by Ruzzier et al (2006), Knight (2001), Oviatt and McDougall (2000) pro-activeness emphasizes on the anticipation of any possible challenges or obstacles and reaching the market in the most efficient way.

ÅÄÖ Brands foundation rests on the pro-activeness of CEO Mr A. Fredriksson, who saw the gap in demand due to seasonal trends and searched for brands to fill up the shortcoming demand. Their pro-activeness has developed into ÅÄÖ Brands becoming the only actor on the market within their field, as stated by Mr F. Fredriksson *"it's not hard being the best when there is no competition"*. According to ÅÄÖ Brands, being updated on the continuing changes in social media is key to keeping its position on the Chinese market. Missing out on a new communication channel means missing out on possible consumers and market segments, therefore they have proper routines to prevent this happening to ever emerge. Their missing out on any proper competition makes the importance of being pro-active even greater, as falling into old routines would be devastating when competition emerges the market. Competition is only a sign of a healthy market and ÅÄÖ Brands would like to see more competitive actors on the market.

They have a very "hands on" mind set, which makes them to always strive for excellence and improvement. Despite its first mover advantages, this is essential if they want to stay in the number one position as other competitors eventually establish themselves on the market. An entrepreneur is required to be willing to take risks in order to win, which is why a too laidback

and self-confident position will hinder their pro-activeness. Also, their overall business strategy is out formed to meet the volatility present on the Chinese market and the fast changes present in the technology, as through testing brands and collections in their showroom or the flash segment. Pro-activeness can also be related firms possessing a clear advantage, opposed to MNCs advantage of operating scale economies SMEs have to compete by being first with launching a valuable product or service (Oviatt and McDougall, 1995).

Case Company's Learning within the Organisation

The first learning process which ÅÄÖ Brands experienced was when CEO Mr A. Fredriksson decided to franchise T-Shirt Store and open it in Shanghai. This was the first step into creating the organisation, which they are today. Through their continuous learning, improvement of their operation is the primary focus, as they for instance rather want to improve than expand at current status. The ability to constantly learn from the working process is especially critical for companies at young age, as the learning process represents a strong competitive advantage making it possible to gain better growth possibilities (McDougall and Oviatt, 2000).

Also the choice of employees is out formed to learn within the organisation, as personality and competence are the main attributes that have to be accomplished to fit in at ÅÄÖ Brands. However, learning within the organisation might be somewhat more difficult to enhance in the Chinese business culture, where employees are used to follow tasks rather than taking own initiatives, which a healthy learning process strives for. This puts pressure on the managers to always have orders ready in order to keep their employees engaged in the working process.

ÅÄÖ Brands learning process is eased through having a Chinese business partner, as well as the advantage of having fluent Chinese speaking employees facilitating communication and thus preventing misunderstandings.

Case Company's Knowledge and Experience

The absolute benefit and competitive advantage ÅÄÖ Brands has is the experience they have gained through launching brands on the Chinese market. With every brand they have established they gain greater experience, which can be recalled in other processes, developing to a unique knowledge, which only can be gained through time. Being the only company at time offering the specific skill and competence in distribution they have made usage of its learning opportunities and developed a competitive advantage as stated by Knight (2001).

Also the employees' previous working experience as they can apply their knowledge to the current situation plays an important role, something ÅÄÖ Brands also look for when employing new staff.

Western brands, which have tried to emerge the Chinese market independently, often fail due to the lack of knowledge. Through focusing on scale operations and big marketing events, which cost a great amount of resources, but only create a short attention wave. This is beneficial for ÅÄÖ Brands as companies can spot their expertise in their operations with its current brands.

ÅÄÖ Brands' business approach was international from the beginning being a newly started SME, something that can have been beneficial due to the diversity of the Chinese market. Due to the complicity of the market, knowledge on how to act on the market only can be gained whilst being on spot. Through operating directly on the market from start instead of first operating from another base, for example Sweden, they have been able to quickly react to the changes in the market (Oviatt and McDougall, 2000; Knight, 2001).

Case Company's Network Access

When operating on an international scale and in foreign markets the access to networks facilitates the expansion an emerging on new markets (Coviello and Munro, 1997; Bell, 1995). Many researchers (Oviatt and McDougall, 1994; Johansson and Vahlne, 1977; Johansson and Vahlne, 2009; Coviello and Munro, 1997; Bell, 1995) have acknowledged the importance of networks and many theories emphasise how it increases the credibility of companies, as well as creates a competitive advantage when being active on foreign markets. Especially in the case of China, *Guanxi* in means of networks of business relationships and wide-ranging contacts are of major importance, something that is deeply routed in the Chinese culture. ÅÄÖ Brands' strong foundation and well-established contacts in the Chinese fashion world are clear advantages. According to the Marketing manager Mr Lindberg, contacts are the key for succeeding on the Chinese market, especially when launching new brands on the market. ÅÄÖ Brands has developed a great and comprehensive network of contacts, making it possible to mainly being marketed through "word of mouth". Through using social media, as Weibo and Weixin/WeChat, their market communication to reach the market is very direct to the consumers, making it more personal and thus trustful (Oviatt and McDougall, 2005).

Through their connection they have had opportunities as cooperating with editors, photographers and Asian celebrities, which they otherwise could not have done due to budget restrictions. ÅÄÖ Brands is very eager to keep these contacts in good shape, as they know the importance of those in the Chinese business culture. Thereby confirming the proposition by Knight (2001) that SMEs can benefit through network relationship in reducing costs. It is especially critical for SMEs than larger companies to have a comprehensive network, as they are much more resource limited than larger ones. A network with well-reputed actors gives the company credibility, which can lead to larger networks, as more actors are willing to cooperate with the company (Oviatt and McDougall, 1995).

To manage their resource restrictions small and medium enterprises (SMEs) have to develop a strategic competence, which is able to interact with the external environment, in means of committing marketing skills and likewise key strategic approaches (Liao and Sohmen, 2013; Davies, K., 2013).

7. Conclusion

Concluding enhanced our background, theoretical and empirical studies, that being a small firm with an entrepreneurial approach can be more beneficial in some cases.

International entrepreneurship is characterised as being an approach to business which enacts opportunities on an international scale through being aware of using its own knowledge, experience, continuous learning, pro-activeness, the importance of network as well as an market oriented approach. Through the analysis of our empirical findings, we can conclude that having an entrepreneurial approach, as in the case of our case company can be more beneficial than acting through scale operations on an international field.

The international entrepreneurial approach facilitates the expansion on a foreign market, through its pro-active characteristic, in means of always thinking and acting one step ahead requiring entrepreneurs with knowledge and experience, which still are willing to learn. Further, the pro-active approach of international entrepreneurship is correlated with the knowledge of the necessity to be market oriented and make usage of all resources, as seeing the importance of building up network relationships as well as keeping a learning process within the organisation, which rests on the experiences made in everyday work. Through the key characteristic factors of international entrepreneurship organisations proceed rather

locally and focusing on local ties whilst acting on a global scale, whereas scale operations proceed on a global scale and thereby neglect the local business culture and market structure. Our case company for instance has not faced and complications whilst dealing with the Chinese culture, as it is well aware of the importance of adapting to the external environment, which they accomplished through speaking the language and building up networks.

Understanding the Chinese culture is, as mentioned earlier, a requirement for succeeding on the Chinese market. The staff of our case company is well aware of this factor, and with the staff's earlier experience there is no problem for them to adjust to the Chinese way of doing business, as it more or less comes naturally in their daily operations. This leads to resource saving and increased efficiency as they can put their time into other parts of their work. If a new distribution company would enter the Chinese market without this specific Chinese knowledge, it would not be irrelevant to believe that they would be required to allocate much resource to fill up this gap in lack of knowledge, resources which could have been allocated to more proactive operations.

The lack of resources in smaller enterprises results in the necessity of focusing on specialising its competence on the remaining scales, as developing specialist knowledge and approaching business from another perspective than through financial resources, leading to a deeper competence to handle a market, which results in competitive advantages. Competitive advantages can be created through a company's pro-activeness, the learning within the organisation and network relationships

Considering our previously introduced key factors of international entrepreneurship, we derived on the basis of our case company, that having an entrepreneurial approach as our case company facilitated coping with the external environment of the market especially regarding the weight of networks in the Chinese culture and business culture. Being a small enterprise, without sufficient financial resources, the importance of networks is even greater than being a financially capable enterprise on the Chinese market. Particularly with a culture being marked by the concept of Guanxi, networks become the primary driver for successful businesses.

Through making usage of knowledge-based resources, as being proactive and participate in a continuously on-going learning process, to compensate for the lack of financial resources, our case company has successfully built up its operation, whereas other MNEs have failed due to

the lack of insight into these factors. This is how their expertise creates an important extra value compensating for the lack of resources. The proactiveness helps an organisation to link its own resources and capabilities with the surrounding external environment, in means of the present opportunities and threats.

Finally we can see that the international entrepreneurial approach is particularly driven by the proactiveness, which seems to be somewhat of an umbrella term, as this creates the foundation for all the other key factors. Without the ability to act proactively, opportunities of learning and engaging in networks would not occur. Looking at our case company's work and experience, we see a clearly correlation between their proactiveness and the success of their operations. Therefore, we draw the conclusion based on our research of earlier researches and our empirical findings that without the proactiveness, a distribution company will not succeed on the Chinese market.

The practical relevance of our research can be found in guidance for internationalising businesses, to focus its investments in the right end and most important characteristics of the Chinese market. Firstly, to not mistake the actual size of the Chinese market and emphasising on meeting the culture, which is strongly interrelated with the market and secondly, to focus on network relationships, as neglecting the severity of it is identified with immediate failure. However, as our study is out formed on a single case study, drawing general conclusions of our study for businesses internationalising its operation in China would be misleading, as also was stated in our interview with Mr F. Fredriksson "the key to success is very different from case to case".

Suggestions for Further Research

As our study is based on our case company and the empirical data is solely based on the four interviews with the company, the specific characteristics we found especially essential in our case may be limited to our case company or this specific market area. Due to this, we do not aim to provide any generalisations for all cases of international entrepreneurship within distribution companies. With client companies mainly being Swedish it can be limited to Swedish companies expansion to China, and we believe future research on companies with a more diverse background would be needed to reach a broader picture of international entrepreneurship in China. Also, on-going process of policy changes and fast changing overall

climate in China make it too soon to draw conclusions on the outcome of these. We therefore suggest further research with a stronger focus on this.

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9. Appendix

9.1 Interview Guide

Personal information

- Can you describe yourself and your role at ÅÄÖ Brands?
- How long have you been in this position at ÅÄÖ Brands?
- Can you describe a typical workday at ÅÄÖ Brands?
- When did you start working with international business?
- Have you worked in another country than China within this field? If yes, which differences did you experience from China?
- Choosing from your earlier experiences, which one has been the most essential in your reach for success in China?

Background of ÅÄÖ Brands

- Can you give us a brief of ÅÄÖ Brands?
- How many employees do you have? Established what year?
- In how many countries do you have activities?
- Did the legal environment of China affect the choice of emerging the Chinese market with a Chinese partner?
- What is your main focus company-wise?
- It is stated on your website that you work with export, manufacturing and distribution. Which one is your most demanded service?
- What kind of agreements do you have with your clients? Franchising, licensing, export or distribution?
- Tell us about your company's first project in China. - When was it? Who was the client? How is it different from now? What went well and what went wrong? Did you have a clear strategy from the beginning?

Activities of ÅÄÖ Brands

- Tell us about the possibilities you have identified in China?
- How has your activities developed over the last couple of years?

- How has your strategy concerning foreign business looked like?
- Does the company size affect why they choose you? In what way?
- Imagine a client who wants to establish in China, what does the process look like?

Background of ÅÄÖ Brands' client companies

- Tell us about your clients in China?
- What country of origin do they have?
- How did you come in contact with them?
- How are the Chinese clients different from the Swedish?
- What is the main reason for your clients to enter China?
- What are the advantages of entering China through ÅÄÖ Brands?
- How do you describe the international know-how of your client companies?
- How does the potential lack of international know-how affect why they choose you?
- Do companies choose you due to lack of management know-how?
- In what aspects does the cultural difference hinder companies to enter the Chinese market independently?
- What are the largest difficulties, i.e. cultural difference/consumer preferences and loyalty, you have experienced for brands entering the Chinese market?

International Entrepreneurship

- Do you see an increase in the number of Swedish entrepreneurs in the Chinese market in your industry? Overall?
- What are the key factors behind the success of Swedish entrepreneurs?
- Do you see a threat from entrepreneurs of other countries?
- How do you achieve international expertise within the industry? Aspects: cultural, staff, fashion, business sense.
- Are you members of any international networks, in order to get better access to the fashion industry?
- How important are networks for your work assignments?
- How do you work with (international) reputation?
- How do you handle the legal aspects in China for foreign companies?
- Can the reputation of the Swedish companies be transferred to China or vice versa?

- What mistakes do you think are the most common ones that Swedish fashion companies make when expanding internationally?
- What is your competitive advantage against other players in China?
- How do you handle the volatility in the fashion industry on the Chinese market?

Future prospects

- Where do you see ÅÄÖ Brands in 3, 5 and 10 years?
- How do you expect the demand for Swedish/European clothing to develop over the near future?
- What challenges do you face in China?
- What are the largest threats?

Please rank what is most important for achieving success:

1. Product design
2. Marketing/communication
3. Agent's or distributor's capacity and network
4. Your own knowledge of the market
5. The maturity of the market
6. Others – what?

Final questions to secure validity:

1. How much responsibility do you have for the company's sales (in per cent)?
2. How long have you been working at the company?
3. How comfortable did you feel answering these questions (on a level of 1-7)?