Internationalization Process and Strategy
Of Born Global SME

-A study of Chinese born global small and medium-size enterprise
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ABSTRACT

This purpose of the paper is to explore the internationalization process of Chinese Born Global SMEs and attempt to reveal the uniqueness. Based on the literature review and former studies, in this paper the Born Global SME internationalization process is assumed to depend upon the firms’ entrepreneurs’ experience, background and network; Product characteristics; Degree of Internationalization; Environment and Globalization.

In the study, a qualitative study was conducted in order to generating the understanding why and how Chinese Born Global company internationalization.

More specifically, the problem was investigated by using cases study and conducting in-depth interviews of key employees in four case enterprises. The case companies were selected from a pool of respondents to a survey, all of which are located in Zhejiang Province, Eastern China and founded in 1990s.

After analyzing the empirical data and comparing them with theories, the result demonstrates that Born Global SME is extremely international, and their internationalization process is totally different from the traditional internationalization theories.

The main conclusion of the study is Born Global SMEs growing rapidly in China, however, Chinese Born Global SMEs still on initial stage, OME mode is a wide used mode to enter international market by Chinese Born Global SMEs, at the end, some recommendations was also given.

Key Words:

Internationalization, Born Global, SMEs, China
1. Introduction

The first chapter of this dissertation provides some introductory information about Born Global Small and Medium-Sized Enterprises and their international marketing activities and relevant information about Small and Medium-size Enterprise (SMEs) of the world. Finally, the research problem, the purpose of the study, outline of the paper, delimitation and disposition of the paper will be presented.

1.1 Background

In the recent years many SMEs adopt new globalization approach right after they established or very shortly afterwards, such firms are considered to be “Born Global SMEs”. Many evidences from Taiwan (Chang & Crub, 1992), Italy (Varaldo, 1987), some European countries (Knight & Cavusgil, 1996) and some other countries proves that a number of companies explore their own ways to internationalization which means those companies enter international market with the help of their network relationship in different industries rather than to do that step by step and fellow the traditional internationalization model, normally, those companies are considered to be “born global”. Nowadays, that kind of phenomena also emerged in China.

Born Globals are defined as SMEs with an export rate of more than 25% within three years of founding. (Knight & Cavusgil, 1996; Knight, 1997; Madsen Rasmussen & Servais, 2000; Harveston, 2000; Junkkari, 2000). In other words, it can be incorporated what type of market (and how many) an SME should be present in to be termed a Born Global in addition, most very international SMEs usually have a far higher percentage of foreign sales than 25% (Luostarinen & Gabrielsson, 2001). Some of them even export all of their products. Nowadays, many cases claim that the internationalization process within the Born Global enterprise is much faster than expected in traditional theories (Johanson&Vahlne, 1977).

From the overview, a great number of “born global” companies become popular in the whole world. What are the reasons respond the “born global” emerged? From the perspective of environment, thanks to the markets internationalization development day by day, and economy globalization development deeply, it is easier for SMEs enter international market. During recent years, due to the merchandise and service business and directly oversea investment expanding, multinational companies highly development, information communicates frequently, push globalization forward. WTO plays an important role in international trade and investment, what’s more, some Free-Trade zone such as EU speedup globalization development. With the help of internationalization development, many SMEs get the information from international markets more easily and overcome the barrier from international trade
and investment. Bell (1995) stated that “psychic distance” has become much less relevant as global communication and transportation infrastructures improve and as markets become increasingly homogeneous. Crick & Jones (2000) also found that decisions to enter markets with a perceived low psychic distance were less important than decisions based on global trends in technology markets and relations in networks.

Secondly, Niche market is becoming more important (Robinson, 1986). A number of recent trends are viewed as having facilitated the emergence of born global firms. With increasing globalization of markets and worldwide competition from large multinationals, many smaller firms have no choice but to specialize in supply of products that occupy a relatively narrow global niche (Knight and Cavusgil 1996). However, as a result of one nation’s market is too small for niche market, some SMEs have to explore international markets and try to copy their niche market in different countries. Even though SMEs don’t equip abundant resources and much experience to take part in the international competition, they are forced to begin international operation which makes them don’t consider about physical distance.

Thirdly, thanks to technology development, SMEs could manufacture and distribute complicated merchandise economically and largely (Robinson, 1986; Knight & Cavusgil, 1996). Nowadays, customers’ demand personalizes dramatically and product life cycle reduces unceasingly, all of which inspire SMEs’ flexible ability, adjust their operation and production to satisfy international market. Some SMEs’ product is popular in the market; they don’t necessary to explore new market because they even can’t fulfill some of their clients’ order which leads to physical distance is becoming less important. Bell (1995) have made an investigation about small computer software exporting companies in Finland, Ireland and Norway shows that even those companies which only have less than ten employees could develop useful software which has great exporting potential, about 10% of those investigated companies exported their software before they sell it to domestic market.

Fourthly, SMEs have their own advantages such as flexibility and adjust ability. These advantages are counteracted by lack of resources, however, it can not stop them marching into international market and develop their merchandise to fulfill different clients. McKinsey & Company (Rennie, 1993), born global company possess strongly customer guidance which can adjust their product according to customers’ requirement. This opinion also supported by the investigation about New Zealand’ seafood exporting companies by Jonh Knight, Jim Bell & Rod Mc Naughton, their investigation also shows that those companies professional and rapid react ability to handle the sea food business is an reasons to explain why s become so popular in the world.

With the liberalization and internationalization of the global economy, the Chinese SMEs have played an increasingly important role in the China economy since China
began the member of the World Trade Organization (WTO) in November 2001. According to the National Bureau of Statistics of China [1], there are more than 42 million SMEs in China by 2006. The proportion of export from the SMEs has reached 68% and more than 75% of the employees work for the SMEs, undoubtedly, SMEs accelerating Chinese economy. Since China had become a member of WTO, more and more foreign enterprises pour into Chinese market which makes Chinese companies face global competition, gradually, Chinese entrepreneurs realized that it is important for companies to participate in the international market place in order to be competitive in the future (Tayeb, 2000). Hence it seems advisable for them to take part in the international competition and launch their internationalization process.

1.2 Research Problem

As what we have maintained above, SMEs play an increasingly significant role in China economy and it’s also grow fast recently. However, the Chinese s internationalization just began a few years ago when they realized world market would offer them more opportunity and unlimited scope for growth, at the late 1990s some ambitious SMEs entrepreneurs began their first experiment abroad, which means Chinese SMEs’ internationalization, is still on the early stage, there are not a coherent framework that may help practitioner to gain a convergent understanding of the internationalization process of SMEs. Although some scholars (Meissner Gerber, 1980; Hans J. Pleitner, 1998) had developed the globalization model for SME, it is not fully examined in China economic market. Additionally, it is hard to ignore the great differences between European SMEs and China SMEs, for example many SMEs in Europe possess high technology and they don’t have big crew of employees; compare with EU counterparts, it is exactly the opposite way in China, many Chinese SMEs possess a great number of staffs but they lack high technology and funds, and some other factors such as political issue also have to take into consideration. Even the definition about SMEs is different in these two regions. In EU SME is consider to be the company has less than 250 employees and annual turnover less than 50 millions Euro (Official Journal of the European Union, 20.5.2003) while in China the corresponding numbers is less than 2000 employees and annual turnover less than 50 millions Euro [4]. What’s more, according to Moberg and Palm (2003), the internationalization for most companies, still is a slow process where international experience is gathered in small step. As a result of that, Chinese s have to explore their individual way to internationalization, however, internationalization refers to the process of increasing involvement in international operations (Welch and Loustarinen, 1988), which lead to Chinese SMEs usually have to pay the heavy price for the process which is caused by such as they don’t familiar with the international market formula.
It leads to the research problem as following:

How do Chinese Born Global SMEs launch internationalization process and strategies?

Obviously, enterprise’s internationalization process and strategies are a huge topic; it is pretty hard to get the answer straight away. Then, sub questions have been drawn up to help to achieve the goal:

1. Why do Chinese Born Global SMEs want to internationalize?

2. What are the main factors that influence the internationalization process of Chinese Born Global SMEs?

1.3 Purpose of this study

The goal of this study is to identify why and how Chinese Born Global SMEs desire to take part in internationalization. And that understanding will be illustrated how the born global SMEs launch their internationalization process and strategies. Of course, the study will base on the China economical background and focus on the globalization process.

Thanks to the existing theoretical framework which will support our studying and create an understanding of their strategy. An important contribution of this paper is its’ study scope. There are many studies about the European and American SMEs, but there are few of similar study about the China s with western scholars’ theories.

1.4 Outline of thesis

The thesis is organized as follows: first, an overview of the chosen perspectives on internationalization processes theories is given in chapter two, before the conceptual framework is presented also in this chapter. In chapter three the research design is described and operationalizations of the main concepts are made. The way the cases have been chosen are also elaborated on in chapter three and how the actual data collection has been carried out before the chapter is concluded with a discussion of validity and reliability issues. The four cases are described in some detail in chapter four, with focus on the different dimensions believed to have an impact on the Born Globals’ propensity and further development. In chapter five the cases are analyzed
and results compared with relevant theory in the field and propositions following from these findings are then presented. Finally the main results of the case study are concluded and implications are made in chapter six. The final chapter also ends with recommendation and some suggestions for future studies.

**Delimitation**

On the journey to discover the mystery of the internationalization process of s, we find that is a broad topic, to guarantee the quality of the paper, the study area must be limited. Because lack of the financial support, it is impossible for us to do the interviews with lots of Chinese global SMEs managers face to face and it also restrict us to access the reliable business database website on internet. Another sensitive factor is time, since the topic is broad time is limited, we always find that we fall behind the schedule.

The selected of Born Global SMEs is depending on some existing list all of which is located in Zhejiang province which is one of the most developed regions in China and there also assembles a large number of s.
Internationalization processes of firms have been the topic of widespread research efforts during the past 30 years. It has been demonstrated that many firms now do not develop in incremental stages with respect to their international activities. Firms are often reported to start international activities right from their birth, to enter very distant markets right away, to enter multiple countries at once. Such firms have been labeled Born Global firms. In this chapter, we will try to sum up and discuss the usefulness of the Born Globals concept and similar concepts seen both from theoretical and an empirical point of view. Following these theories, a Theoretical framework is created by us to explain the impact of the Born Globals from four main factors.

2.1 Internationalization Process Theories

Several theories and concepts have been suggested to capture the process of internationalization. Among these, the so-called stage models receive much attention. These theories assume that the process of internationalization should follow a prescribed path to be successful. Knowledge about the validity of this assumption is of great interest to firms facing important strategic decisions. The most frequently used of these stages models is the Uppsala process model (Figure 1). It emphasizes learning by focusing on market knowledge and commitment.

Figure 1. The Uppsala Model

![Uppsala Model Diagram]

(Source: Johanson/Vahlne 1977 p. 23–32)

According to the model, we propose that the general and experiential market
knowledge and resource commitment of firms (state aspects) affect commitment decisions and current business activities (change aspects). To minimize risk and overcome uncertainty, it says that firms internationalize in a step-by-step process. As firms gain market knowledge they commit more resources to the market. Increased commitment occurs in the following stages:

- no regular export activities;
- export via independent agents;
- creation of an offshore sales subsidiary; and
- overseas production facilities.

Firms will then enter new markets lying at a greater “psychic distance”. This accumulated knowledge in conducting international operations drives internationalization by influencing the entry-mode and country-market selection.

In addition, the predictive validity of the export stage concept of Cavusgil's (1980) innovation-related internationalization model (the I-model) is examined. This stage theory conceptualizes the internationalization process using five stages: a domestic marketing stage, a pre-export stage, an experimental involvement stage, an active involvement stage, and a committed involvement stage. In addition, the time period to be considered in moving from one stage to another is explicitly tested. The models (Bilkey & Tesar, 1977; Czinkota, 1982 & Reid, 1981) were also derived from Roger’s (1962) stages of the adoption process.

The process theories assume that the firm will gradually increase its commitment from sporadic export to direct investment. On the question on which market to select, the process theories suggest firms would enter new markets according to their psychic distance. Psychic distance being defined as factors preventing or disturbing the flow of information between the firm and the market, including factors such as differences in language, culture, political systems, level of education, or level of industrial development (Johanson & Vahlne, 1977). A learning experience in one culturally distant country produces a knowledge base for further expansion within the same cultural sphere. Thus, firms start internationalization by entering those markets they can most easily understand. There they will see opportunities, and there the perceived market uncertainty is low. The arguments for the gradual pattern are discussed in length in the article of Johanson & Vahlne (1977). Andersen (1993) has stated that the other authors explicitly or implicitly build on Johanson & Vahlne’s contribution.

### 2.1.1 Criticisms of internationalization theory

Cannon and Willis (1981) challenged the underlying assumptions of stepwise and necessarily forward progression, pointing out that many passive exporters were at one
time active, and that firms may omit various stages to accelerate the internationalization process. Thus, companies may enter directly into foreign licensing, manufacturing or assembly arrangements without ever exporting (Carstairs and Welch 1982; Reid 1984; Root 1987). Reid (1983) argued that existing models were too deterministic and that the internationalization processes of firms were highly individualistic, situation-specific and contingent on resource availability at the time an opportunity presented.

Sullivan and Bauerschmidt (1990) set about testing Johanson and Vahlne’s thesis that the internationalization of firms is an incremental process dependent on the progressive reduction of psychic distance through gradual accumulation of experiential knowledge. Their study of European forest products firms failed to support the Johanson and Vahlne conceptualization, because no significant changes in appreciation of barriers and incentives to internationalization were found in managers of firms at various stages of internationalization (Sullivan and Bauerschmidt 1990).

The explanation for this new picture of internationalization of firms is claimed to be more global market conditions, new developments in transportation and communication technologies, and the rising number of people with international experience. Some authors, e.g. (Knight & Cavusgil, 1996); (Oviatt & McDougall, 1994), have launched these empirical observations as a challenge calling for a new theory.

2.2 The Born Global Phenomenon

Not all firm internationalization is of the traditional incremental type, however. In particular, researchers have carefully detailed cases of international new ventures firms that have skipped incremental stages and/or have been international virtually from inception (McDougall, Shane, & Oviatt, 1994). The ventures engaged in early internationalization have been referred to as “international new ventures” (McDougall et al., 1994); “born globals” (Knight & Cavusgil, 1996; Madsen & Servais, 1997), “instant internationals” (Preece, Miles, & Baetz, 1999), and “global start-ups” (Oviatt & McDougall, 1994), with no clear definitional differences between the choice of terms. These ventures are defined as,

“a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49).

In one of the first studies on Born Globals, McKinsey & Company (Rennie, 1993) found the following characteristics of Australian Born Globals: Management views
the world as its marketplace from the outset; unlike traditional companies, they do not see foreign markets simply as adjuncts to the domestic market. Born Globals begin exporting one or several products within two years of their establishment and tend to export at least a quarter of total sales. They tend to be small manufacturers, with average annual sales usually not exceeding $100 million. The majority of Born Globals is formed by active entrepreneurs and tends to emerge as a result of a significant breakthrough in some process or technology. They may apply cutting edge technology to developing a unique product idea or to a new way of doing business. The products sold by Born Globals typically involve substantial value adding; the bulk of such products are probably destined for industrial use (Andersson, 2004).

In the research project conducted for the Australian Manufacturing Council covering 310 firms, McKinsey splits the emerging exporters into two categories. The first one consists of more traditional domestic-based firms accounting for approximately 75% of the total sample. Firms in this category typically build a strong domestic base before exporting. On average they have been in business for 27 years when they first export and they reap 15-20% of sales in foreign markets. The second category is labeled Born Globals; they export 75% of their total sales, starting after less than two years of operation. They generally produce leading edge technology products with significant international niche markets, such as scientific instruments or machine tools. Rennie (1993) described them as competing on quality and value created through innovative technology and product design. The mainstream Born Globals of this study is very close to its customers, flexible and able to adapt its products to quickly changing needs and wants.

2.2.1 Similar concepts

Before the Born Globals concept was introduced similar discussions of firms with immediate internationalization took place (Rasmussen, Erik and Madsen, 2002). It was often in relation to research taking its point of departure in the ‘stage-models’ of firm internationalization, as (Johanson & Wiedersheim Paul, 1975); (Bilkey & Tesar, 1977); (Johanson & Vahlne, 1977). Hedlund & Kverneland, (1985) used in the discussion was ‘leapfrogging’ to describe the situation when a firm jumps over stages in the classical stages model.

Many small studies (including case studies) proved that the existence of firms which are internationally oriented right from the birth during the 1980’s. Ganitsky (1989) called these firms ‘innate exporters’ as a contradiction to the ‘adoptive exporters’, which have a larger degree of international outlook in the management and are clearly more flexible. On the other hand they are limited owing to their lack of experience and resources. Jolly et al. (1992), which build on a number of case studies of
high-tech firms for an early article. Jolly et al. (1992) pointed out that the characteristic for the *High Technology Start Ups* is that the founders from several countries to follow a strategy directed focus on the international niche markets. These firms represent a type of firms may have to be international right from the beginning due to their high-tech product.

McDougall and Oviatt defined an *international new venture (INV)* as a firm from its birth finds a competitive advantage by selling its products in several countries and by using resources from several countries. McDougall and Oviatt (1994) tried to be more specific used in the definition of concepts which not by the use of supplementary definitions, but through a typology of firms are created from the number of value chain activities to combine with the number of countries. The typology of international new ventures see in Figure 2, which makes it possible to give a more accurate definition for the different type of firms are researched.

**Figure 2: Types of International New Ventures**

<table>
<thead>
<tr>
<th>Few Activities</th>
<th>New International Market Makers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinated Across countries (Primarily Logistics)</td>
<td>Export/Import Start-up</td>
</tr>
<tr>
<td>Coordination of Value</td>
<td>Multinational Trader ii</td>
</tr>
<tr>
<td>Many Activities Coordinated Across Countries</td>
<td>Geographically Focused Start-up iv</td>
</tr>
<tr>
<td></td>
<td>Global Start-up</td>
</tr>
</tbody>
</table>

(Source: Oviatt & McDougall, 1994, p.59)

First, there are the *New International Market Makers* (i and ii) which are the “old fashioned” type of firms operating both as exporters and importers results in profit by using the imbalance between countries in production costs and market prices to create new markets. Their most important competitive advantage is knowledge about inbound and outbound logistics. Often they operate through a large network of business contacts in a large number of countries – often through the founders and managers’ personal contact and relations (Rasmussen, Erik and Madsen, 2002).

The next kind of venture is the *Geographically Focused Start-Ups* (iii), which gain its
competitive advantage by the use of foreign resources, serving the specialized needs of a specific region. The competitive advantage of these firms typically is found in the coordination of multiple value chain activities in regard to technological development, knowledge, production, and human resources. This coordination is often socially complex and thus difficult to imitate because of the tacit nature of the knowledge involved. Furthermore, the networks and relations involved are closed to outsiders and in this way knowledge is protected (Rasmussen, Erik and Madsen, 2002).

The Global Start-Ups (iv) are the most radical new international firms in their strategies. These firms obtain competitive advantage from coordinating among multiple organizational activities which locations are geographically infinite. They do not merely react upon possibilities in the global markets but are extremely active globally to acquire resources and sell outputs wherever in the world. They have a unique history and the most successful competitive advantage due to complex knowledge and ambiguous networks alliances in the whole world.

**Bell (1995)** departs theoretically from the stages models and studies small computer-software firms in Finland, Ireland, and Norway. He found that existing internationalization models did not adequately reflect the underlying factors of the internationalization processes in these firms. The process was strongly influenced by domestic and foreign client follower ship, the targeting of niche markets and industry-specific consideration rather than the psychic distance to export markets (Karlsen 1997).

**Knight and Cavusgil (1996)** described different trends that promote the Born Globals. One of these trends is the increasing importance of niche markets, forcing small firms into small niches in several countries in order to gain competitive advantage. Another important trend is the development in process technology and the resulting opportunities created by the rapid development of advanced communication technology. In the systematic work (Madsen & Servais, 1997) on how to define a Born Global and the discussion of the trends behind the development of a rising number of Born Globals is continued. Especially the manager or founder is placed in focus in this discussion. The differences between traditional exporters and the Born Globals come from differences in the founder’s background and in the market conditions (Rasmussen, Erik and Madsen, 2002):

“However, the founder characteristics and the market conditions are different which is the reason why the manifestation of the internationalization processes of Born Globals must be deviating from the ‘rings in the water’ model found to be a valid description of internationalization processes of firms in many empirical studies.” (Madsen & Servais, 1997, p.570)

Some other authors also have touched the concept of Born Global firms, for example
Jones (1999) called this type of firms “international entrepreneur”. It can be seen from the above short theory survey the definitions of Born Globals and International New Ventures points in several directions together with the empirical research done (Rasmussen, Erik and Madsen, 2002). It should be here clearly conclude the concepts of their definitions and the empirical background. As it can be seen from table 1:

**Tabel 1: Born Globals and similar concepts**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Background</th>
<th>Conclusion/ result</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Hedlund &amp; Kverneland, 1985)</td>
<td>‘Leapfrogging’ Firms that jump over stages in the traditional models</td>
<td>More and more homogeneous export-markets. Internationalization as a part of the firms strategy.</td>
</tr>
<tr>
<td>(Young, 1987)</td>
<td>Theoretical discussion of the results from (Hedlund &amp; Kverneland, 1985)</td>
<td>Agrees in the conclusions regarding leapfrogging, but only for high-tech firms</td>
</tr>
<tr>
<td>(Ganitsky, 1989)</td>
<td>Innate exporters. 18 exporters from Israel which are Born International</td>
<td>Firms which are Born Global adapt to a high degree their strategy to the foreign markets. Lack of resources and experience</td>
</tr>
<tr>
<td>(Jolly et al., 1992)</td>
<td>High Technology Start-Ups. Four case studies of high-tech start-ups</td>
<td>From the start these firms have their strategy pointed towards the global niche markets. Founder with an international experience</td>
</tr>
<tr>
<td>(McKinsey &amp; Co., 1993)</td>
<td>Born Global. Survey amongst 310 production firms with a new export</td>
<td>25% of the firms had an intensive export within the first two years after the foundation of the firm. Export in average 75% of their sales</td>
</tr>
<tr>
<td>(McDougall et al., 1994)</td>
<td>International New Ventures. 24 case studies.</td>
<td>A strategy from the birth directed towards the international markets. The stage models are not usable any longer</td>
</tr>
<tr>
<td>(Oviatt &amp; McDougall, 1994)</td>
<td>12 case studies – same as in (McDougall et al., 1994). Firms with a proactive international strategy</td>
<td>An INV is a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries</td>
</tr>
</tbody>
</table>
(Bell, 1995) | Small producers of computer software. Most of them have to be international from the start | ‘Psychic distance’ is no longer usable. No support for the stage models. |
---|---|---|
(Bloodgood et al., 1996) | Firms with a ’high potential’ for growth | Internationalization depends on the international experience of the founder. Even small firms in the USA have the possibility of being international from birth |
(Knight & Cavusgil, 1996) | Born Global. Summary of existing research + articles from newspapers. Firms with an export of 25% or more within the first 3-6 years | Factors that lead to the existence of Born Globals: Growing number of niche markets all over the world. Changes in production and communication technology. Growing number of international networks. |
(Madsen & Servais, 1997) | Born Global. Summary of existing research + a number of Danish case studies | The classical stage models are valid for the Born Globals if the founder’s experience and the internationalization of the markets is taken into consideration. |
(Jones, 1999) | International Entrepreneurs. Firms with a large international network at the foundation. Questionnaire amongst high-tech firm in England. | Internationalization of the firms often starts with networks, which does not have anything to do with sales. Many different roads to the internationalization of these firms. |

(Source: Jussi, 2003, Born global mode of Internationalization, working paper)

### 2.3 Theoretical framework

The existing literature shows no agreement regarding the conceptual framework and constructs that should be used to explain a firm’s internationalization (Andersen, 1997). The present framework will be based upon some of the most important contributions for explaining the Born Globals. A theoretical framework can be based on more than one theory (Andersen, 1997). From the discussion above, a theoretical framework is created by us with four main factors are posited as having an impact for the SMEs’ Born Global. These factors are; (1) Entrepreneur’s experience, background, and network (2) Product characteristics (3) Degree of Internationalization (4) Environment and Globalization. According to that, we create theoretical framework
model in our study.

Figure 2.1 Theoretical Framework models *(Source: developed by the authors of this study)*

### 2.3.1 Entrepreneur’s experience, background and network

The importance of entrepreneurs has been discussed with in many studies, which have found a relationship between a positive international development and the entrepreneur's international attitude, motivation, orientation, experience and network (Andersson, 2004). The experience and background of founders and their network are important resources for a firm and are important drivers or facilitators of internationalization. International experience is defined as the understanding and realistic perceptions of foreign operations, risks and returns in foreign markets (Aulakh & Kotabe, 1997). It can be recognized that factors relating to managerial competence, international orientation and corporate vision as key drivers of internationalization (Reuber and Fischer, 1997). Andersson (2000) distinguished between technical entrepreneurs and marketing entrepreneurs, suggesting that marketing entrepreneurs is more proactive in the internationalization process, while technical entrepreneurs focus on technology development and is not very active in international marketing activities.

From the literature it has been found that the company founder has an important influence upon the strategic orientation, resource orientation, management structure, reward philosophy, growth orientation and entrepreneurial culture of a firm (Stevenson, 1984). Hence, it can be argued that the vision, direction and ultimate
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competitive advantage of the firm in international markets is directly related to the characteristics of the decision-maker (Morgan, 1997). Likewise, the international orientation of the senior manager or entrepreneur has a significant impact upon the company’s network relationships in foreign markets, which in turn has a bearing on the direction of international expansion and the subsequent market entry strategy. Fundamentally then, it may be argued that SME international development is not only driven by the accessibility of resources, but by the competence and vision of management (Chandler and Hanks, 1994).

The Born Global studies point out that entrepreneurs are important for the development in the Born Global firm and an analysis on an individual level ought to be important for an understanding of small firms’ international behavior. Oviatt and McDougall (1994) pointed out that a global vision dating from a firm’s inception is probably the most important characteristic associated with Born Global entrepreneurs. For the Born Global entrepreneurs, rapid internationalization is the entrepreneurial action that characterizes them as entrepreneurs.

To conclude, the importance of the entrepreneurs has been dealt with in many studies which have found a positive relationship between entrepreneurs’ international attitude, orientation, experience and network and a positive international development.

2.3.2 Product characteristics

Closely related to level of globalization are the characteristics of the product that a firm offers. It is assumed that the product strategy of globalizing high technology SMEs is based from the start on an innovative, global product, which has been developed in response to a detected global industry shift (Alahuhta, 1990). As a consequence, it is important to understand just how the industry globalization drivers affect the competitive environment of SMEs. When moving to the industry and company level, Lindqvist, (1991) has been argued that increasing speed in the development of new technologies has led to shorter product life cycles (PLCs) and higher innovation intensity, which in turn leads to intensified global competition. It can be stated that increasing global competition, together with increasing speed in the development of new technologies, has led to shorter product life cycles and higher innovation intensity. The shortening of the product life cycle creates a need for large Research and Development (R&D) costs. The shorter the PLC, the shorter the time in, which returns on investment in product development, can be earned. Thus, especially companies with small domestic markets need global volumes over which these costs can be divided. Short PLCs also call for higher innovativeness in order to launch new versions or products to compensate for the decline of original ones (Karlsen 1997). The product characteristics the firm is exporting are thus to positively influence the
fim’s Born Global.

2.3.3 Degree of Internationalization

The extension of the Born Globals phenomenon is positively associated with the degree of internationalization in the market (Andersson 2004). The focus on SMEs and the influence on their development stemming from increased globalization is an area in need of further study (Knight, 2000). A firm’s international strategy and its degree of internationalization can be seen as the pattern of entry modes and subsequent foreign operation modes chosen, which markets are entered, when and how large the export rate is after a certain time. According to Bradley (1995), there were basically two dimensions, which represent the key strategic decisions in connection with a firm’s internationalization, (1) international market selection, and (2) choice of entry mode. With regard to the market selection dimension, Born Globals often start activities in many markets fast simultaneously and not always in close markets first. The product is often developed for a global/international market (Madsen et al, 2000). Bell (1995) explained this in the following way:

“psychic distance has become much less relevant as global communication and transportation infrastructures improve and as markets become increasingly homogeneous”, (p.62).

Hedlund & Kverneland (1985) also provided evidence of a speeding up of the internationalization process and posit that the establishment and growth strategies on foreign markets are changing towards more direct and rapid entry modes than those implied by theories of gradual and slow internationalization processes.

In other words, it seems the internationalization process of firms is currently proceeding on both dimensions – market selection and entry mode faster than traditional theory predicts. Traditional theory is here seen as the Process model or the Uppsala model (Johanson & Vahlne, 1977, 1990). Traditional internationalization theories are described a process in which the firm gradually becomes involved in international business and enters foreign markets and this view seems to enjoy general acceptance among most international business scholars.

2.3.4 Environment and Globalization

The environment has changed a lot since the “traditional internationalization theories” were developed, for example: the increased level of globalization in many industries
may constitute an explanation for the observed increase in the pace of internationalization of firms (Karlsen, 1997). Globalization may be conceptualized in terms of a continuum from low to high, along which different industries fall (Porter, 1986). When the environmental conditions rapidly change, as they do when there is increased globalization, the process of internationalization is likely to speed up as well. This increased globalization, which is believed to lead people to perceive the world as being smaller, may also induce managers to perceive the risk of entering foreign markets as being lower. “Level or degree of globalization” can be seen as a continuation or extension of that concept due to further change in environment since the 80ies when the network theory was developed (Karlsen, 1997). Levitt (1983) defined globalization as the process of homogenization of demand and increasing economies of scale, forcing companies to standardize their production and marketing at high levels of output in order to cut costs and thus gain competitive edge.

In many cases, a global industry is characterized by oligopolistic competition, with a high degree of transparency among the firms’ capabilities and strategic actions. Hence, the strategic choices of a firm can be expected to have an impact on other companies in the industry, also in other markets (Porter, 1986). Globalization drivers may be seen to contribute strongly to the understanding of the emergence of global industry structure, the strategic options that are suggested according to this theory for the firms, are to grow and become a dominating player through the creation of structural barriers, and thus create oligopolies.

The interplay of globalization forces such as governmental drivers (for example: reduction of tariff and non-tariff barriers to trade and creation of trading blocs), market drivers (for example: convergence of consumer behavior, global customers, homogenous products), cost drivers (for example: economies of scale, increasing minimum efficient scale) and competitive drivers (for example: convergence of practices, global networks) eventually pushes the industry to becoming global (Yip, 1989).

It can be concluded that globalization in a wider sense is the growing interdependence of national economies, involving consumers, producers, suppliers, and governments in different countries. Boundaries between domestic and international markets are becoming less relevant as businesses increase their activities abroad (Knight, 2000).

In summary, in order to find an explanation as to why some SMEs still follow a more step-by-step approach, while others choose a faster and more erratic approach that leapfrogs over many stages, Madsen, Servais & Rasmussen (2000) argue that globalization may enable firms to more freely choose their own model for becoming international. From the above discussion, it can be assumed that entrepreneur’s experience, background and network, product factors and environment may lead to greater preparedness to commit resources and a reduction in a manager’s perception
of risk; this again leads to a higher degree of internationalization. It may have the
effect of reducing perceived psychic distance and this may thus explain the observed
pattern where SME’s enter several foreign markets simultaneously and these markets
may as well be far away as close in terms of psychic distance. The factors which
impact on different industries and enterprises of the internationalization are
diversified. Although we tried to explore from multiple factors, such as:
1. Entrepreneur’s experience, background, and network. 2. Product characteristics. 3.
Degree of Internationalization. 4. Environment and Globalization, it has not exhausted
all possible.

3. Methodology

This chapter deals with the discussions and justifications of the methodological
aspects of this thesis. It explains the choice of the research approach as well as the
type or research chosen and data collection and analysis. Finally, the validity and
reliability of the study will be exposed.

Solving a problem without the use of concepts and theory, an explanation will never
emerge, thus a plan between empirical theory and observations should take place. The
questions, responses, inferences made and what support these inferences should be
reported by us. While measures of imprecise concepts are never completely valid or
reliable, researchers strive to maximize these qualities (Knight, 1997).

3.1 Research Approach

According to Yin (1994), this blueprint of research deals with at least four problems:
what question to study, what data are relevant, what data to collect, and how to
analyze the results.

At the beginning of the project, a choice has to be made as to decide the research
should be based on qualitative or quantitative research methods.

According to Birn, Hague and Vangelder (1990) if the object is to obtain exploratory
view on a new product or concept or theory, then a qualitative study is in order. If,
however, the study is required to quantify something as a phenomenon, then a
quantitative study is appropriate. What’s more, normally, it can be summarized that
where quantitative research is concerned with describing and measuring whereas
qualitative research is all about explaining and understanding. The conclusions
reached in qualitative research are the product of individuals using their own, usually
implicit, models of assessment and evaluation. Their way of thinking and their previous experience and predisposition run through every aspect of the project.

Since the goal of our study is to obtain some knowledge about the internationalization process and strategies of the s in China, about why and how they adventure abroad but not about to quantity anything, obviously, qualitative study will be more appropriate than quantitative study in our project.

### 3.2 Case study

The case study is one of the popular ways of conducting social science research. There are single-case study and multiple cases study within the case study option. The evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust (Henriot and Firestone, 1983). Undoubtedly, analysis multiple cases study will be persuasion. However, the conduct of a multiple cases study can require extensive resources and time beyond the means of a single-student or independent research investigator (Yin, 1994). Due to the time and money restrictions, our study and data collection has conducted within a small number of companies. A questionnaire had been send to more than 50 target companies which we have received responds from 12 companies, and then we decided to take a deeper study about four of those enterprises with interviews.

### 3.3 Selection criteria of case study companies

Quantitative study was also introduced into our study even though this study was major based on qualitative study which we believed it will be more appropriate, since we could get a general brief of the Born Global SMEs in ZheJiang Province, Eastern China from quantitative study. We have sent out some questionnaires to the target companies then we have done the interviews with four companies via telephone.

Birn, Hague and Vangelder (1990) believe that topic of sampling is an essential one for market researchers since almost all market research is conducted using samples.

The process of selecting research companies and conduct the interviews probably one of the most complex tasks in this dissertation. We selected the case study companies consciously base on some rules. The targets companies must be s of China and in different industries equip the experience in launching their international operation, what’s more, due to time and cost restrictions, we limited the interviews into three
companies all of which located in Zhejiang Province, China. Email questionnaires were sent to all the companies that matched these criteria. We have attempted to gather more information from our target companies and establish the relationships between some factors and then figured out the certain pattern between them which offer us profound understanding of their internationalization strategies.

3.4 Data collection

Within the data option, there are primary data and secondary data. Primary data are originated by the research for the purpose of the immediate investigation at hand. Secondary data are statistics or elements that already exist; they had been gathered for a previous purpose, not the researcher’s particular study (Churchill and Iacobucci, 2002).

3.4.1 Primary data

Primary data is referred to as data that needs to be collected. There are two main ways of conducting this collection of data – interviews or questionnaires. These two instruments can be used either one at the time, or in a combination (Eriksson, 1990). For that reasons we decided to combine those two instruments to gather as much information as possible in a structured way. First of all, we sent questionnaires out to 50 enterprises of various industries, as a result of that, we could obtain more general information about the situation faced by Chinese SMEs. Secondly, we conducted a deeper interview with four companies via telephone.

3.4.2 Secondary data

Second data is information previously collected for other purpose’s study. The most significant advantages of secondary data are the cost and time economies. In this research, internet sources would be our major way to get secondary data, considering the secondary data’s credibility might be questioned in some cases, we tried to access authority websites such as Statistics Department of government. With the help of secondary data, we have gained a good overview of the situation of Chinese.
3.5 Validity and Reliability

3.5.1 Validity

Validity refers to how free the research is from systematic and random errors (Patel & Davidson, 1994). In other words, validity is concerned with the question: are we measuring what we think are measuring? Validity is broader and more difficult issue than reliability (Kinnear and Taylor, 1996).

To optimize the validity of our study, we conducted our research carefully. For instance, try to make our problem statement and purpose of study as clear as possible and select right person to interview in the exact approve position who could offer us reliable information such as export department manager, and what’s more, a well-designed questionnaire and interview guide line also increase our study’s validity.

In our study, many questions about international experience were asked in the interview to prove that the entrepreneurs’ experience, background whether influencing the Born Globals such as has he or she lived abroad? How many languages that the manager speaks and how fluent he or she is in those languages. What was the mindset of the founder at start-up? Personal relationships were that entrepreneurs define as having an impact on their way to internationalization. These are either relationships in their home country or relationships in the target country, normally established during previously working or studying, or developed from their previous work assignments in their home country. What way did these relations contribute to the firm’s internationalization process and how close are these relationships? This can be measured by documenting the frequency of contact (such as, daily, weekly, monthly) and the type of contact (such as, face to face, telephone, e-mail).

Product characteristics have already been indicated which are believed to be influenced by some macro factors, such as the competitive conditions within an industry. Some questions about product characteristics were asked, such as product life cycle, about its uniqueness when compared to competitive products and managers to classify the product as being either an industrial product or a consumer product. The degree of specialization of the product was also asked.

We have presented the number of regions an SME enters during a particular period, which type of regions the firm enters and physic distance is close or far away from the home market to examine the degree of internationalization. Moreover, the export ratio of the company’s first three years after establishing was also measured. More specifically, some scholars (Knight & Cavusgil, 1996; Knight, 1997; Madsen
Rasmussen & Servais, 2000; Junkkari, 2000; Harveston, 2000) define Born Global SME as SMEs with an export rate of more than 25% within their first three years of establishment. Finally, our study reveals the entry mode which was used originally when the studied firms entered their first foreign market.

Additionally, in this study, the measures have been used that the managers in the SMEs are asked how they perceive their industry. According to a certain set of dimensions which is influenced by the strength of globalization drivers (e.g. trade barriers, internationalization of customers/suppliers, international demand pattern), industry structure (e.g. oligopoly or fragmented), and the interdependence of national markets (e.g. international price sensitivity, intra-industry trade) that aim at revealing the industry’s global characteristics.

3.5.2 Reliability

Yin (1994) describes reliability as the demonstration that the operations of a study, such as the data collection procedures can be repeated, with same result.

Halvorsen (1992) supposes reliability measures the precision of the chosen models methods, and to what extent the same findings can be obtained upon re-measurement, assuming that the situation has not changed. Concerning the present case study, we tried to make the literatures which are quoted and the interview to be trusted. Some measures would be introduced such as using a tape recorder when we doing an interview and ask the similar questions in the interview.
4. Empirical Presentation

This chapter presents the result from questionnaire survey and interviews with studied companies. All of the four studied companies are given profile information about the company itself, and that will be followed by some information about the beginning of their internationalization process and about their strategic markets. All of the data will be compared with theories in the next chapter.

4.1. Case 1. China KingKing

Basic information:

1993, KingKing was established in Qingdao, China, with 20,000 RMB (US$ 3,000).
1995, the first time to enter international market: the United States
1996, Research and development centre was founded
1996, the remarkable product “jelly-candle” was invented which was became the most popular candle in the world
1996, KingKing entered Canadian market.
1998, Set up its selling counter in Wal-Mart.
1999, KingKing established co-operation ship with Carrefour, Metro and Ikea.
2003, The first KingKing chain store was opened in China, KingKing began to develop domestic market.
2004, KingKing became a public company.
2005, The first oversea factory was set up in South Korea.
2008, They are presently export candle to more than 50 countries and regions.

Based in Qingdao, eastern China, KingKing has become China's largest candle manufacturer and the third largest in the world since it was established in 1993. Originally, KingKing was only manufactured and distributed glass craftwork, Mr. Chen Suo bing who is managing KingKing was impressed that his customers normally would buy candle after they purchase craftwork which inspired him to develop and sell candle themselves. Nowadays, the company’s principal activities are designing, researching, developing, manufacturing and selling of polymer-based...
compounded wax products, daily-used wax products, glassworks, and other craftworks. So far about 90% of KingKing's candle products are for export. With the brand "KingKing," its candles have entered more than 50 countries and regions around the world, such as the US, UK, Sweden and Japan. The turnover of KingKing from 2007 was more than 546,540,000 RMB (US$78,077,142).

4.1.1 Entrepreneur’s experience, background and relationship

Mr. Chen Suo bing is the founder of KingKing company, owns 43% of the company share who used to be a chemist in a chemistry company and got his chemistry degree in Peking University in 1985. As a middle-age entrepreneur, thanks to the studying experience in America he could speak English and received the master degree in America. The interviewee was Mr. Zhu Chen who is the export managers emphasized that he is really enjoy to work in business department and run international business. He also got degree in business from university and used to live in France for six years which makes he speaks fluent France and English.

Mr. Chen was conscious to contact local company when he was studying America and he did that successfully. After came back to China he began to sign the contract with one American company and manufactured candles for them under Original Equipment Manufacture (OEM) [3] which became their first time export. The basic meaning of OEM is the cooperation between brand and production. It refers to a "contract production", which means the products are not directly produced by brand producers, but to use their own “core technology" to take responsible for the design and development and controlling distribution channels, thus, the specific processing tasks can be delivered to other companies to make. Mr. Chen talks about that frankly he has lot of friends in America who actually help him a lot in business. There is never could be forgotten that vice export manger Mr. Zhu who used to live abroad for as long as six years, he has some relationship with European companies which is quite helpful when KingKing tried to enter France market and became one of the suppliers of Carrefour.

4.1.2 Product characteristics

KingKing’s main product is candle which is consider to be kind of consumer good and they have decided to aim at western market. They try to differentiate themselves by making use of new technology and design; what’s more, they have good distribution channels. After consideration they decided to focus on technology and design rather than low price as their competitive factors. The powerful scientific and technological strength enables KingKing great innovation capability. In 1998 its high-tech product jelly candle was the most popular one in the world. In 1999, the product earned more than US$10 million. They are investing huge resource in researching new candle which enables them owns 1200 paten rights. Their product is
according to the founder quite unique, they try to advertise it as environmentally friendly; what’s more, they have a particular design in the production that he believes make them unique. Mr. Chen believe that one of the features is their product life span is much longer than others product which because they utilize new unique technology.

4.1.3 Degree of Internationalization

The first five markets that KingKing entered were (order by time):
1. U.S
2. Canada
3. French
4. Germany
5. Sweden

KingKing has entered 50 international markets, 90% of their product for export. North America is KingKing’s major oversea market. The first time they entered international market was U.S under OEM mode.

4.1.4 Environment and Globalization

The global yearly sales value of wax products amounts to more than USD 10 billion now; the total market consumption volume and growth level are comparatively steady; the annual sales value in European market is more than USD 5 billion, while USD 3 billion in USA market. About 70% families consume candles, so the market demand is quite steady.

The candle competition in the current international market can be divided into two kinds generally: large European and American candle manufacturers led by Blyth Inc and Yankee Candle, and domestic newly-risen manufacturers led by Qingdao KingKing. As the candle industry is a typical labor-intensive industry, China candle manufacturing industry is highly competitive in the world in recent years thanks to low labor cost and rich paraffin resources.

Currently, the candle export value is USD 545 million in China, accounting for 5% in the world. As far as the USA concerned, there are more than 400 large candle manufacturers there, and 90% candles are made in the USA. Along with the further improvement of competition advantage of Chinese manufacturers, China's candle manufacturing industry will have larger development space.
4.2 Case 2. Ningbo Smal Imp & Exp Co. Ltd

Basic information:

1999, Ningbo Smal was established in Ningbo, Zhejiang Province, China

1999, Smal established their first research center and began to enter International market, Germany and France in OEM Mode right after they received export right from authority department.

2000, American Market was entered which became Smal’s major market

2001, Smal export product to Australia and Africa also under OEM Mode

2003, Export product to Africa and tried to establish distribution system there.
Ningbo Smal Imp & Exp Co. Ltd is a professional manufacturer of household appliances, the company has two wholly-owned subsidiary production bases, and its main products include hair dryer, electric cups, coffee pots, Electric Irons, Hand Mixer and sandwich Maker. These products have been through the "GS", "EMC", "CE", "UL" China Compulsory Certification and CCC certification. The company is one of the national import and export top 500 enterprises. Their business networks throughout Europe, Asia, Africa and Australia and United States. More than 1020 employees work for the company. The company’s 2003 annual report shows that exports worth 34 million U.S. dollars and 2004 annual report shows that exports worth 40.7 million U.S. dollars.

The company has a high technical level, the professional quality of comprehensive scientific research team and senior design companies with foreign cooperation in the development of new products, so that all types of products fully functional and can meet different consumers’ needs, is Hotel, home, Beauty, hairdressing, fashion selected friends and relatives for gifts. Strict, standardized technology, science and advanced detection equipment, and improve the operation of the ISO9002 quality system, quality of products to provide more effective protection.

4.2.1 Entrepreneur’s experience, background and relationship

15 years ago, Mrs Dong Yuejun failed in the examination to university; afterwards she worked in different companies as sales and sales manager, when refer to that experience she said “I had learned much from those jobs and established solid relationship foundation with many persons, all of those do me a great favor when I began to run my own company”. However, she realized the importance of knowledge
which push her to continue study in university even after her company achieves great success in international market which makes her to be billionaire, she got EMBA degree from Tsinghua University which is considered as the most prestigious university in China. Mrs Dong could speak English quite well and she has ever been to more than 50 countries, since she has established relationships with local agents in different countries. A case in point is that, when Smal tried to enter UK but they didn’t have any relationship with British companies at that moment, fortunately, one of the Mrs Dong’s friends who used to work in co-operation companies of Germany turned up and helped Smal made the contracted with a company from Manchester for the first time.

4.2.2 Product characteristics

The home appliance manufacture seems to have high degree globality which means the competition if pretty fierce. However, different countries have different standards, such as in EU and Japan, they have different voltages which force to develop and adapt the product to different markets. Mrs Dong said “Our industry is highly globalization but we still have to adapt our products to different markets, it is not optional but compulsory part of job.”

Saml’s product is household appliance which is undoubtedly considered to be a highly globalization but it is not very specialized, obviously, it is not very complicated product but needs some fresh ideas. Since that is not a very technical industry many opponents could easily go into the market and copy the most popular product. Smal tries to make their product, for that they built their own design team and buy the latest design from abroad which cost them much money, do they really have to do that? Mrs Dong responds doubt “the fresh design make us catch the trend of the world”. With the help from internal design team and external design team, Smal evidently shorter product development period and have better product.

4.2.3 Degree of Internationalization

The first five markets that Smal entered were (order by time):

1. Germany
2. France
3. U.K
4. Italy
5. Japan

Smal adventured into international market since they got export right. Smal took part in many international expositions, though it was cost them much money to be shown in those affairs, the fact turns out that it works effectively, it made them to be known and familiar by audience. A case in point is that Smal was shown in a home appliance
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exhibition in Frankfurt, Germany. Smal met their first oversea client from Germany; they signed the contract immediately after the German company tests their products.

Nowadays, 90% of Smal’s product is for export, their products are exported to 50 countries worldwide. However, Smal export product most with OEM Mode which is considered as a low profit mode.

4.2.4 Environment and Globalization

Household appliance manufacturing is not a high value added or high technology industry. It is quite easy for many enterprises to enter this industry which makes market competition fiercer. Since China became the member of WTO, state authority encourage this kind of firms take part in the international competition, normally, company would get drawback and allowance from government as assistance. According to latest survey [2], thanks to the lower trade barrier and favorable policy, household appliance manufacturing industry rapidly growing for more than 10% per year from 2002-2007, export increases reach 12.9% per year at the same time. China is the most attractive household appliance manufacturing base and consumption market, 80% of the household appliance in the world made in China, 75% of the product export worldwide. However, many countries and regions consider that is a threat to local household appliance manufacturing industry, they adopt some strict rule such as import quota and higher product standard to limit import household appliance which made in China. As a result of that, the household appliance manufacturing companies’ internationalization process is slowed down.

4.3 Case 3 V.ABC Paints Manufacturing (Shenzhen) Co.,LTD.

Basic information:

1994, has established the research and development of vehicle, for research on the paint technical requirements and market conditions for Chinese auto industry.

1995, the Qidi Chemical Industry (Shenzhen) Co.,Ltd was incorporated in Shenzhen with operating the automotive original paint.

1996, entered the German market, was awarded the German TUV ISO9001 Quality Assurance System Certification.

2001, to strengthen the company philosophy, highlight the “V.ABC unlimited” spirit
of enterprise and the professional, the official name of the company was changed from “Qidi Chemicals (Shenzhen) Co., Ltd." to "V.ABC Paints Manufacturing (Shenzhen) Co., Ltd."

2002, V.ABC Paints Manufacturing (Jiangxi) Co., Ltd was incorporated in Jiangxi Province, registered capital for $6 million.

2002, entered the French market with cooperation of Vernis Soudee to provide services for Dongfeng Peugeot Citroen Autos.

2005, was held the 10th anniversary celebration of V.ABC group, 2005, Eight series of products were awarded the U.S. “green seal” environment label certification, becoming the first domestic enterprise was certified, 2005, Ye Fengying, CEO of the company won the title of outstanding women entrepreneurs.


Hong Kong V.ABC Group was established in 1992, which is engaged for development and production of professional paint technology. With facing the broad paint market prospects, from 1995, the Group has invested to set up V.ABC Paints Manufacturing (Shenzhen) Co., Ltd and V.ABC Paints Manufacturing (Jiangxi) Co., Ltd.

After more than 10 years of development, research and development base for V.ABC Group consultant and co-operation has been around Hong Kong, Germany, France and Austria, also established industrial zone in Shenzhen and Jiangxi province. V.ABC Paints Manufacturing (Shenzhen) Co., Ltd was located in Shenzhen, Longgang district with covering an area of 53,000 square meters. The main products were made for automotive original paint, plastic paint, motorcycle paint, car repair paint and car bumpers and relevant supporting paint. V.ABC Paints Manufacturing (Jiangxi) Co., Ltd was located in Pingxiang city of Jiangxi Province which covered 130,000 square meters. It is a production base of making water-based paint which involved in industrial and civilian use in various fields.

Innovation is corporate culture of the V.ABC group; with harmonious interaction between customers, suppliers and employees is the basis for improvement of the V.ABC. The group is taken “V.ABC idea” as core concept to actively become a paint industry leader in China.

4.3.1 Entrepreneur’s experience, background, and network
The CEO of V.ABC group, Mrs. Ye Fengying, is graduated from Business Administration in Hong Kong Polytechnic University, because of family business has been contacted with the paint industry. This girl had to do the first thing when she just arrived at Hong Kong was learning: communication with local people, professional knowledge, language and even dress up learning. Mrs. Ye said:

“from the first I was in Hong Kong, my night time was handed over to studies. Although expensing all entertainment and relaxation time, I learned the future!”

Mrs. Ye found that the automotive original paint was profitable. However, there are only few enterprises to inquire in either Hong Kong or the mainland China. Mrs. Ye determined to start her own business and looked for employees in 1994. She rented a factory in Shenzhen, set up an institute for research, hired technical personnel, collected information and began the research and development of the automobile paint. Mrs. Ye’s vision, courage and conviction have been impenetrable in the development history of more than 10 years for V.ABC.

In the inception of V.ABC group, Mrs. Ye visited the director of the institute of the Chinese auto industry – Wang Xichun, and received his support, also has gained the help from German Bayer – German BASF’ opponent company. The emulative spirit and always making improvement can be considered to help Mrs. Ye and V.ABC group. Since 1994, some foreign chemical companies have supported the technological innovations for V.ABC group, which including the Netherlands Aksu, German Bayer, German BYK-Chemie and Switzerland Montecorvino, most of them are suppliers for V.ABC. Mrs. Ye persuaded them making technical cooperation with V.ABC based on the great prospects of China. Thus, these top partners became Mrs. Ye’s the important source of confidence.

“Manage enterprise may rely on intuition” Mrs. Ye said, “Think too clearly may afraid to do”. This fearless spirit can be seen everywhere in her business. She led the company to maintain the leading quality of paint in domestic market, continuously intensify research and development capabilities, commitment to new product development, stringent quality targets and set a goal to position in leading of Chinese paint industry. They formed a huge technical teams to in-depth understand the practical needs of Chinese manufacturing industry, also related to a comprehensive technical cooperation and exchange of information with world’s leading producers of raw materials.

At present, there are more than 50 full-time technical employees in the research and development for offering pre-sales and after-sales services.
4.3.2 Product characteristics

Company regularly invited internationally renowned experts to develop new products, at the same time; the company also sent technical person to foreign countries with foreign experts to research innovation products.

Company with the well-know domestic suppliers have organized a close supply-chain for exploring the scientific and technological achievements of raw materials in this area, but also hold the most practical information for customer’s wants and needs. This can be laid a solid foundation for V.ABC group to provide tailor-products and innovation to customer in the future.

V.ABC has a large color database which brought nearly 100 species of the world’s prevailing paint. Automatic computer matching system may be required any combination of colors. The professional designers always make innovation of new colors trend toward to fashion.

The innovation of V.ABC can be carrying out both idea and technology. Idea innovation is based on international perspective and closer to customer demand. Technological innovation is based on the wealth of expertise, experience and perfect equipment. V.ABC group has the advanced level of scientific research equipment and the full set of analysis and detection equipment imported from Europe and the United States, which is one of the leading enterprise with the complete equipment and technology in Chinese paint industry.

4.3.3 Degree of Internationalization

The first five markets that V.ABC entered were (order by time):

1. Germany
2. France
3. Austria
4. U.S.
5. Middle East region

V.ABC selected Germany as its’ first target market abroad two years after birth. Exactly like many other Chinese s they chose OEM mode as the strategy for their first time exploration abroad. Nowadays, V.ABC has distributed product to more than 20 countries, U.S and European Union are major overseas market for the company, about 40% of their product for export.

4.3.4 Environment and Globalization

For the main products in V.ABC group – automotive original paint in the most
high-end category of paint industry. As its high technological contents, other large-scale domestic manufacturing enterprises are afraid into this industry, so that to make very high concentration for Chinese automobile paint market. On Chinese domestic market, since 1980s, China has imported the dozens sets of automotive paint plants from Japan, Austria, Germany, the Netherlands and the United States which played improving effect for improvement of production technology in Chinese paint industry. Compared with the quality between Chinese enterprises and advanced foreign enterprises, there is still large difference. Chinese automobile paint industry has very high degree of concentration which American DuPont and PPG, German BASF, Japanese Kansai and other international brands occupied about 90% of the Chinese market shares. Therefore, V.ABC group has aimed at the huge global markets in the initial of doing the business. According to analysis, from the market supply and demand situation is expected in the next two years, global demand will rise 4% to 6% for paint products. Chinese paint market will expand and variety of market-targeted will position to the development of globalization. 2005 and even later, because the world economy gradually recovering, the demands of the international paint market gradually has increased and the export situation of V.ABC group will continue to be optimistic.

4.4 Case 4. Ningbo Lisi Import & Export Co. Ltd

Basic information:
1993, the company was established in Ningbo, China
1993, established R&D center in Ningbo
1994, exported product to U.K one month after gained export right from the state.
1995, exported regions extended to the EU
1997, cooperation with American company and entered U.S market, set up an office there at the same year
1999, developed business into South America
2002, entered Middle East market.

Ningbo Lisi plastic co.,Ltd was founded in 1993, produce the household plastic products, including storage appliances, kitchen appliances, flower pots, cosmetics boxes, bath series, toys and holiday series. Because of low profits, small domestic market, from the establishment of the company to the end of 2001, there was no domestic sales and exported products 100%. At present, the main sales markets are for the United States (80%), Europe (10%), the Middle East, Africa and South America (10%).

Nowadays, Ningbo Lisi Import & Export Co. Ltd. is a wholly owned subsidiary of the Ningo Lisi Group of companies. Lisi Group is approved and registered by the
Ministry of Foreign Trade and Economic Cooperation. With ongoing operating capital of over $1,000,000 US Lisi is customers’ single source for textiles, cleaning supplies, promotional items, stationery, housewares, and plastic products.

The parent company generates annual revenues in excess of $80,000,000. The products are exporting in over 100 countries. Lisi group is proud to include the world’s largest retailers as the customers.

4.4.1 Entrepreneur’s experience, background, and network

In 1991, Li lixin the CEO of Lisi group who four years after graduated from college borrowed money to launch a small workshop in Ningbo. Ningbo Lisi plastic co.,Ltd was founded in 1993 and obtained the right of import and export in 1994 to directly enter the international markets. With the cooperation of American businessman – Cole who is focused on low-end markets in middle and south of the United States. Lisi has achieved two changes:

1. Changing in product mix, from producing a single frame changed to the professional daily plastic products.

2. Changing in business idea, from domestic sales changed to export sales, to make the first step of “product going out”.

Next there are two things that Mr. Li hurries to do: first, to open a branch office in the United States. To grow and develop the company, the product must be into the U.S. market. Second, to learn English, language is very important to be able to communicate with people or do business. In 1996, Mr. Li visited to the United States to undertake the responsibility of introducing the products into the U.S market. He believed that to find the largest distributor of plastic products in the U.S. and convince him to buy own products. Mr. Li learned that a company called ALCO in New Jersey was the best large-scale importer in the U.S. daily plastic goods industry. In order to receive this channel, Mr. Li is intended to loss the market profits, but his products entered the U.S. market, gradually increased long-term profits, and gained strategic success. Mr. Li said that high-end line of ALCO is forced product quality management of Lisi fully rising. On the other hand, to take products easily enter the U.S. market.

Later, Mr. Li hired Marvin, one of his rivals – was a president of a Hong Kong listed company. Marvin carried out the sales of $150 million on the U.S. market of previous company, in other words, he held many sales channel of large chain stores. Marvin was not only to bring 9 million RMB (about 1.4 million USD) in sales, but also to improve the management level and distribution network. Another change of Lisi was a research and development led by Jone. Mr. convinced Jone with his team to work...
for Lisi group, and they have shown their strong capability. Distinct innovative products and high products quality completely meet the international standards. Mr. Li summed up that the team is not only exploring the new areas of the company, and also increasing the company's technology standards.

4.4.2 Product characteristics

The company’s major product is the household plastic products, including storage appliances, kitchen appliances, flower pots, cosmetics boxes, bath series, toys and holiday series. The company is affiliated with highly competitive industries, less core technologies, which has to pay attention to price and style. Their product’s most fascinating advantage is competitive price.

4.4.3 Degree of Internationalization

The first five markets that Lisi entered were (order by time):

1. U.K.
2. U.S
3. Germany
4. Netherland
5. Belgium

From creation of Lisi group to the end of 2001 the products were 100% export. The sales were about $33 million in 2002, which has established overseas subsidiaries in the United States, Hong Kong, South Africa and Dubai. The subsidiaries in US paid more money and hired the local sales people with strong ability. For the subsidiaries in Hong Kong are convenient to negotiate business, because more customers have found branch offices in Hong Kong. Lisi group observed that localization is important, for example, some series of products are inappropriate for the Middle East market.

4.4.4 Environment and Globalization

The United States is the world's largest single country plastic consumption market during recent years, U.S. imports of plastic and plastic products from China is growing rapidly. According to the statistics from U.S. customs, in 2007, U.S. imports synthetic resin, plastic products, plastic machinery and plastic molds from China for 333 million U.S. dollars, 7.914 billion U.S. dollars, 43 million U.S. dollars and 129 million U.S. dollars, about 22% of the total U.S. imports of plastics industry. At the same year, the United States synthetic resin, plastic products, plastic machinery and plastic mold of the exports to China were 2.886 billion U.S. dollars, 658 million U.S. dollars, 113 million U.S. dollars and 9.5 million U.S. dollars, China has become the
Ningbo Lisi entered U.S. market with ultra-low prices and play a significant role in U.S. mainstream market, and it began to affect the Americans daily Life. Since China became the member of the World Trade Organization, as some other countries to reduce trade barriers, re-stimulate China's plastic goods exports, however, in 2005 to implement the quota system-region, China's export growth of plastic goods will raise again.

5. Analysis

In this chapter, the analysis of the theoretical and empirical studies is presented. The analysis is conducted and comparing the empirical results with the theoretical framework in the purpose of identifying the similarities and differences among Born Global SMEs within internationalization process.

5.1 Entrepreneur’s experience, background and network

The born global entrepreneurs enact the environment and change it (Weick, 1979). Since the globalization trend, many entrepreneurs are international orientation; they consider the whole world to the market. Such as Li lixin the CEO of Lisi group, he made the internationalization strategy even as the first day when the company was founded. Madsen & Servais (1997) figure out that entrepreneurs can choose to internationalize much faster and be global short after their inception. In that study top management and entrepreneurs are regarded as crucial for the firm’s international strategies (Andersson, 2000).

As new generational entrepreneurs, all of those practitioners in this study own one or two academic degree, furthermore, some of them has the oversea experience for example Mr. Chen Suo bing the founder of KingKing, got a bachelor degree in chemistry in China and a master degree in business from U.S. Equip with high-educated and fresh thinking which could be considered to be a great difference between the traditional Chinese entrepreneurs and new entrepreneurs. Andersson (2000) distinguished between technical entrepreneurs and marketing entrepreneurs, claiming that marketing entrepreneurs is more proactive in the internationalization process, while technical entrepreneurs focus on technology development and is not very active in international marketing activities. From the first case study, as a composite practitioner, Mr. Chen Suo bing has both technical and business background, it is easily to find out that, he regard technology as the company’s life,
that’s the reason his company owns 1200 patent rights. However, he is also active in international marketing activities; his company even didn’t have any domestic market until 2003, nowadays, as high as 90% of the KingKing’s product is distributed international market.

Ellis’ (2000) findings argues that knowledge of foreign market opportunities is commonly acquired via existing interpersonal links rather than collected systematically via market research. The focus of interpersonal links here is about private relationship. When come to those relationships, Mr. Chen says:

"Has lot of friends in America who actually help me a lot in business." Mr. Cheng’s company entered American market successfully partly owes to some of his local American friends. Albaum, Strandskov & Duerr (2002) even claim that in Asia and the Middle East the personal relationship is likely to be more integral and may be a precondition for any commercial relationship.

Even more, Strandskov (1989) also claims that for companies with international focus who establish on a market through independent intermediaries such as an agent, the importance of networks should be more accentuated. The entrepreneurs’ networks were critical assets in the inception and the development of the born global firms (Andersson & Wiktor, 2001). According to the interview, there is a noticeable phenomenon, two of the interviewees from different companies expressed that they don’t actually have any plans about to enter which international markets in future. Those companies entered different international markets are more subjective which usually get help from agents; they might set up the new relationship for those Chinese companies, A case in point is that, when Smal intended to enter UK but they didn’t have any relationship with British companies at that moment, fortunately, one of the Mrs Dong’s friends who used to work in co-operation companies of Germany turned up and helped Smal made the contracted with a company from Manchester for the first time. For them, the traditional internationalization theories emphasize know about the target market including culture, economy before enter doesn’t work any more.

5.2 Product characteristics

In this study, KingKing’s main product is candle; Saml’s product is household appliance; V.ABC research, produce and distribute paint for auto; Ningbo Lisi’s product is household plastic products. Apparently, all of those are not high-tech companies, their product are not high value added product.

Short PLCs also call for higher innovativeness in order to launch new versions or
products to compensate for the decline of original ones (Karlsen 1997). Those companies have totally different strategies about product. Some of them due to short of core technologies have to pay more attention to product’s style such as Ningbo Lisi, while others try to keep their product innovated, such as KingKing and V.ABC. As a consequence of that, KingKing owns more than 1200 patent right. All of those companies realize to importance of PLCs, new product always have to be launched to take more market share, especially for that company which is more rely on international market. Every successful manufacturing company knows the value of trends. It may not always mean copying the latest trend. It might mean starting trends, keeping up with trends, recycling old trends, and knowing what may be the next big trend next year. As a result of that, all of them have built their own research team, all of the interviewees emphasized the importance of research and innovation ability, to strengthen that ability those companies adopt many policy such as actively take part in the domestic and international related industrial seminar, employ foreign specialists and send researcher abroad learning the latest new information. As far as we know, KingKing is about to built a new research base in U.S. When asked the reason to build a new research center in U.S, Mr. Zhu who work as Manager of Export Department in KingKing believe that would be a rational choice and it would more easy for them to get the latest trend of world, and more easy to recruit outstanding researchers work for them, improve innovation ability, launch new product into the market and try to lead the trend, shorten PLCs which will accelerate internationalization process.

Increasing speed in the development of new technologies has led to shorter product life cycles (PLCs) and higher innovation intensity, which in turn leads to intensified global competition. (Lindqvist, 1991). Hence, dramatic market always push them forward, those who fall behind the trend may lose their chance.

5.3 Degree of Internationalization

According to Bradley (1995), there were basically two dimensions, which represent the key strategic decisions in connection with a firm’s internationalization, (1) international market selection, and (2) choice of entry mode.

After analysis those case companies internationalization process, a phenomena emerges: all of them made their first internationalization step in Western Euro or U.S. rather than the traditional neighboring country such Japan. When this question came to Mr. Chen who works in Ningbo Lisi said there are many reason for that. First, those regions full of great potential, people there are wealthier could afford more products; secondly, product which made in China has popular accepted, not only for competitive price but also for improved product quality; Last but not least, since China joined World Trade Organization (WTO), Chinese companies could enjoy the
benefit from taking lower tariff. However, some traditional internationalization theory (Johanson & Vahlne, 1977, 1990) believes that should enter your neighboring country which is more psychic close, it would be good for communication and product transportation.

Since the globalization further, Bell (1995) believes that psychic distance has become much less relevant as global communication and transportation infrastructures improve. The technology develop, it is not to hard to get or to know about the target foreign markets even though it is far away from home market. Less trade barriers and better and less expansive communication technology make the international strategy easier to conduct (Andersson & Wiktor, 2001).

Another similarity in the case is all of them are taking or used to take OEM model as they entry mode, especially for which is the first time enter international market rather than join venture or other modes. Mr. Chen from KingKing said, they did utilize OEM mode to enter international market at the beginning, however, when they realize it could not bring them much profit if they don’t have their own brand on the product, they gradually got rid of OEM mode and use their own brand.

“However, OEM modes help us to go to the international market and got our first order”.

At the same time, two of those case study companies still export their product with OEM mode. When asked why they still use OEM mode, Mr. Luo works in Saml answered: because the competition in home appliance much fiercer than in other industry, they would try other mode after they have earn enough money and have more stable relationship in international market.

5.4 Environment and Globalization

We can see from the four most Born Global firms, are all independent and they are all part of an industry that can be described as very global, as Mrs. Liu Ming in V.ABC summed up that other large-scale domestic manufacturing enterprises are afraid into this industry so that to make very high concentration for Chinese automobile paint market. Mrs. Liu also said that the industry structure is concentrated around a few large actors and there exist no trade barriers whatsoever in this industry. The customers and suppliers are extremely international.

China candle manufacturing industry is highly competitive in the world in recent years. Mr. Zhu in KingKing pointed out that the customer demand is global; there is no need for adaptation wherever in the world the product is sold and it experiences no
barriers across borders. The candle industry is a typical labor-intensive industry, thanks to low labor cost and rich paraffin resources in China.

The United States import of plastic and plastic products from China is growing rapidly which is the world's largest single country plastic consumption market during recent years. The reason why Lisi has become a true born global despite this fact, Mr. Chen said that it operated much within the U.S.-markets in the United States. The U.S. is more a local market – it serves its own features and in the EU it is much the same. It has to be done certain adjustments to the product in each different market for instance in the US they have their own standard and style. The biggest challenge of business today is that they use different types of packaging in different markets, US has one type, and in the Europe with another type.

The fourth company – Smal Imp., fitting the characteristic is part of an industry that can be described as having high or very high degree of globality. Household appliance manufacturing is not a high value added or high technology industry. Since China became the member of WTO, according to the lower trade barrier and favorable policy, household appliance manufacturing industry rapidly growing from 2002-2007, export increases per year at the same time. Mr. Luo described that China is the most attractive household appliance manufacturing base and consumption market. Mr. Luo said that the home appliance industry is very international. No adaptation is needed in the different markets, the marketing might have to be local, but the product is global.
6 Conclusion

The purpose of this chapter is to draw down the conclusion from the finding in the analysis which is trying to offer a rapid overview of the paper. And the sub-questions’ answer will be given. What’s more, several recommendations to Born Global SMEs will be presented. At the end of this section, a suggestion for further research is presented as expected.

Inspire from the analysis and literature review above, the Sub questions answers could be drawn:

1. Why do Chinese Born Global SMEs want to internationalize?

Since China joined WTO in 2001, more and more international companies including many SMEs enter China market which internationalize the China domestic market become highly competition, SMEs have to expand niches market, benefit from potential profit opportunities outside of the home market and resist competitive pressure, as a result of that expand abroad become a good choice for those companies, besides, the WTO policy also lower the tariff and less trade barriers make the internationalization strategy become much more easier to conduct.

2. What are the main factors that influence the internationalization process of Chinese Born Global SMEs?

There are several factors could influence the internationalization process, however, the main factors are considered as entrepreneur; Product characteristics; Degree of Internationalization and Globalization environment, what’s more, international-oriented entrepreneur is playing an important role in the internationalization process, from the case study above, entrepreneur might be the most important factor.

In this study, we intend to analysis the emerge phenomenon of Born Global SMEs in China from entrepreneur; Product characteristics; Degree of Internationalization and Globalization environment. The major finding of the study is divided into two parts:

Many Chinese new generation entrepreneurs are international-orientation, many of them are highly-educated with open mind and fresh thinking, since China became part of WTO and globalization trend, they urgent to enter international market, they consider the whole world to the target market, making the strategy and searching the niche market. For the Born Global SMEs’ internationalization process, entrepreneurs even could consider to be the most important factor.

Many Chinese Born Global SMEs begin their internationalization journey right after inception; however, most of them are not high-tech companies, their industries are easily to go into, which means fiercer competition. Because many of those Born Global SMEs are established in 1990s, pretty young compare with competitors abroad,
Chinese Born Global SMEs still in initial stage. Many Born Global SMEs established from a low starting point, lack of experience, financial resources, human resources and business information resources and they don’t have many contacts with international market from abroad, normally they will adopt original OME mode as they entering international market inception. However, it is a primary and low profit mode which is not good for the company development if stay in this phase from the long run. They should try some more modes such as joined ventured with more ambitious internationalization process, actually, more and more Born Global SMEs realize that and attempt to get rid of that gradually and build a strong brand their own. Another factor has to be discussed is the Environment and Globalization, because the regime different, the SMEs in China influenced more by government policy than their component in western world.

6.1 Recommendations

In order to promote the internationalization operations of Chinese Born Global SMEs, we need to create favorable external environment from many conditions. However, Chinese SMEs can not only passively wait for the improved external environment, but should take positive action. Although the Chinese government may be introduced the new policy to promote the development of SMEs, but they can not blindly rely on the government and survive in the government’s protection. With the increased the competition of international markets, the ultimate fate of SMEs can be depended on the strength of the enterprises. In order to develop the transnational business, we believe that Chinese Born Global SMEs can fight for their own in the following areas:

1. Formulate an appropriate international business strategy and strive to open up global markets. In order to make Chinese Born Global SMEs to play a more important role on the international economic arena in the future, SMEs must actively participate in international competition, which is inseparable from the development of specific local conditions and international business strategy. For example: such as joining the international industrial division and cooperation network, attracting foreign investment, conducting online marketing and foreign direct investment.

2. The uses of modern information technology promote the internationalization process of Born Global SMEs. The determining factors of competition between enterprises have been changed by promotion and development of modern information technology. The traditional factors of production, such as natural resources, capital and labor have been started giving way to knowledge, information and expert. First of all, SMEs can use the information and communication technologies, such as the Internet in e-commerce activities. Second, SMEs can take the use of modern information technology to expand their network capacity to speed up the internationalization process of enterprises. Third, SMEs can be more involved in
international production system by using of modern information network technology.
Fourth, because of the important role of information, knowledge and talent in the
modern enterprise competitive, using modern information technology SMEs can make
up for their deficiencies based on the international market.

3. Chinese Born Global SMEs may use the various forms of cooperation, including
cooperation with the overseas enterprises or large domestic enterprises to establish a
strategic alliance, so as to improve their own competition.

4. Using the “specialist” strategy, that is highly specialized and aimed at a market
segment. SMEs are mostly filled the market. They should carefully serve in a market
segment, through special operation to occupy a favorable market position.

5. Chinese Born Global SMEs should enhance inputs of human resources
development. The human capital is played an unusual role in the era of knowledge
economy, thus the entrepreneurs are very important for the development of SMEs.
Entrepreneurs should be committed to drive the technical innovation, marketing
innovation and structural innovation, so that establish a new, flexible management
styles. This is the key that Chinese Born Global SMEs will emerge in the intense
competition and occupy the international markets.

6.2 Further research

As a newly emerged phenomenon, Born Global SME has attracted scholars’ attention.
Our study revealed the process of Born Global SMEs inspire from companies locates
in ZheJiang Province, Eastern China. However, considering the limitations which
including time limit and study scope limit, we believe that the further research is
necessary and important. The further research could be continues focus on all of those
four factors: entrepreneur; Product characteristics; Degree of Internationalization and
Globalization environment. Especially the role of entrepreneur, we consider it as the
most important factor that influence Born Global SME internationalization strategy.
To make a deeper research on those four factors, further research should extend study
scope; select some more sample companies from wider regions. What’s more, it is
interesting to explore the links between those four factors in the further.
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Interviews:

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Telephone interview with Mr. Luo Xuan, Chief Secretary of export department at Smal Imp & Exp Co. Ltd. Conducted on 16th, May, 2008.

Telephone interview with Mrs. Liu Ming, Manager of Public Relationship Department at V.ABC Paints Manufacturing (Shenzhen) Co., LTD. Conducted on 9th, May, 2008.

Telephone interview with Mr. Chen Luoxian, Vice Manager of Marketing Department at Ningbo Lisi Import & Export Co. Ltd. Conducted on 9th, May, 2008.
### APPENDIX 1 — Interview Company List

<table>
<thead>
<tr>
<th>Company</th>
<th>Questionnaire &amp; interview</th>
<th>Founded</th>
<th>Internationalization</th>
<th>Employees</th>
<th>Export Rate %</th>
<th>Turnover USD, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>KingKing Co.,Ltd</td>
<td>Mr. Zhu Chen Export Manager</td>
<td>1993</td>
<td>1995</td>
<td>1204</td>
<td>90%</td>
<td>78,077,142</td>
</tr>
<tr>
<td>Smal Imp &amp; Exp Co. Ltd</td>
<td>Mr. LuoXuan Chief Secretary</td>
<td>1999</td>
<td>1999</td>
<td>1020</td>
<td>80%</td>
<td>Not * Known</td>
</tr>
<tr>
<td>V.ABC Co.,Ltd</td>
<td>Mrs. LiuMing P.R Manager</td>
<td>1992</td>
<td>1994</td>
<td>840</td>
<td>40%</td>
<td>32,095,412</td>
</tr>
<tr>
<td>Lisi Import &amp; Export Co. Ltd</td>
<td>Mr. Chen V-Manager Sales Department</td>
<td>1993</td>
<td>1994</td>
<td>240</td>
<td>100%</td>
<td>About 80,000,000</td>
</tr>
</tbody>
</table>

* The company doesn’t want to publish their turnover.
Appendix: Questionnaire

1. How many employees work for your company?

2. When did your company establish? When did your first step abroad?

3. What was the turnover 2007?

4. How many percent of your product do you export?

5. Please list the TOP FIVE oversea markets your company has entered. Please list it in time order.

6. How many foreign market your company has entered?

7. What’s the most utilized entry model?

8. Does your company have any subsidiary abroad?

Thank you for your time!
Appendix: Interview Guide

Company’s basic information

— The founder of the companies.
— The time that company was established.
— Product category.
— Designer of the products.
— The current turnover and export volume.
— The number of employees.
— List the foreign markets that your company entered so far.

The entrepreneur

— Foreign languages ability and oversea life experience.
— Academic degree

Product characteristics

— The product’s life cycle.
— The product’s uniqueness.

The beginning of internationalization

— The start of internationalization process in your company and motivation.
— The importance of relationships or a network in China or abroad which facilitate your internationalization process and some examples.

First step abroad

— List the first five oversea markets that your company entered and order them by time.
— The motivation of your company entered those markets and the entry models utilized, and the pros and cons.

Strategic markets

— The number of oversea market that your company has entered.
— The most important markets today and why.