

Take Off Nodes and Initial Stages of Internationalization:

The case of Midsized Firms from the Emerging Chinese Market

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ABSTRACT

The purpose of this paper is to describe and analyze the take off nodes and initial stages of internationalization of the less researched midsized firms from the emerging market of China. Aspects of the take off situation (when the firm go abroad from the domestic market), the initial stages of internationalization, and the usage of cluster as take off node (how the firm go abroad from the (domestic) local market network) will be discussed. Primary data from a case study of five internationalizing Chinese midsized firms will be presented, as well as secondary data concerning industrial clusters in China. A theoretical contribution is made by combining industrial network theory with internationalization process theory as well as cluster theory. Major results concern (1) the take off situation of the Chinese firms where they not follow assumed paths due to special characteristics of the emergent domestic market, (2) the initial stages of internationalization being dominated by an indirect export mode which exclude the building of international relations being key in the internationalization process of firms, and (3) clusters are seen as take off nodes when used as export clusters, being a springboard for individual rather than collective internationalization of Chinese midsized firms.

KEYWORDS

Internationalization processes, Industrial network approach, Take off node, Cluster, Chinese midsized firms

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INTRODUCTION

The increasing globalization of the world causes major changes such as the liberalization and privatization of the former centrally planned economies which rapidly enhances international competition (Meyer, 2001; Jansson, 2007a,b). Emerging markets are seen to be the main growth areas in the world for an additional two decades (Cavusgil, Ghauri & Agarwal, 2002) and firms from e.g. the ‘factory of the world’ China and the ‘software centre of the world’ India are internationalizing at a growing pace. They together possess the potential to transform the 21st century global economy, accounting for one third of the world population, which demand and supply are now being integrated into the world economy.

The large on-going increase of international business activities by firms from China was initiated by the open door policy in the late 1980’s and further spurred by the liberalization of the centrally planned Chinese economy into a market-based economy from the 1990’s and onwards (Du, 2003; Kanamori, Lim & Yang, 2006). However, despite the growing trend, the degree of internationalization of Chinese firms in general is still low, but rapidly increasing. The main international activities have so far been mainly concentrated to larger firms (Child & Rodrigues, 2005; Jansson, Söderman & Zhao, 2007; Lou & Tung, 2007). Such firms tend to have former experience of foreign business and therefore are able to adjust to and take advantage of new opportunities (Cavusgil, Ghauri & Agarwal, 2002; Meyer & Gelbuda, 2006), while smaller firms are considered to have less experiential knowledge of international business, thus facing challenges in performance (Eriksson et al, 2000). In addition, small firms are considered to face severe managerial, financial and informational constraints (Zyglidopoulos, DeMartino & Reid, 2003), which could be reduced by cooperation (Ding, 2007; Jansson & Boye, 2006; Zeng & Williamson, 2003).

The internationalization of firms from the emerging Chinese market is, due to its expected impact on the whole global economy, inevitably an important and current research topic. However, the key focus has been on Chinese MNCs and FDI (e.g. Buckley et al., 2007; Child & Rodrigues, 2005; Lou & Tung, 2007), and less on the rapidly growing group of Chinese mid-sized firms with more accelerating international experience than the smallest firms, but not yet so active on the global market as the large Chinese firms. In terms of size classification, Chinese firms differ from the Western standards. E.g. a Chinese industrial SME can have up to 2000 employees (Natural Bureau of Statistics of China, 2003) in comparison to the EU definition for any SME: less than 250 employees. To avoid confusion, the term ‘mid-sized’ will be used for the Chinese firms discussed in this paper. It is an important grouping with a more accelerating international experience than the smallest firms, but yet small and less visible in the global market and thus more neglected in research than the huge Chinese MNCs.

With a rapidly changing business world, the traditional theories on how firms internationalize are challenged (Forsgren, 2002). Firm internationalization is often considered to derive from a competitive advantage built up at the domestic market before entering foreign markets. However, due to the different business environment e.g. of emerging markets, firms occasionally must rely on competitive advantages built up directly in the global market. This supports the call for new models of internationalization (Fillis, 2001; Jansson & Sandberg, 2008; Meyer & Gelbuda, 2006), especially in terms of the early phases of firm internationalization (Johanson & Vahlne, 2003). In this paper, the purpose is to describe and analyze the situation prior to and during the initial stages of internationalization of Chinese mid-sized firms. This is of special interest when it comes emerging markets being different from the mature markets that internationalization processes theories normally deals with. The following major aspects are taken up:

- The take off situation of Chinese mid-sized firms: does it take place in the traditional way via the domestic market or in foreign markets directly?
- The initial stages of the internationalization process of Chinese mid-sized firms: how does the chosen entry mode affect the firms’ experience, knowledge development and relationship building?
- The usage of cluster as take off node: does establishment in a cluster work as springboard for Chinese SME internationalization?

In this paper a theoretical contribution is made in terms of combining industrial network theory with internationalization process theory as well as cluster theory when discussing the go abroad situation, initial stages of internationalization and take off nodes for Chinese firms. An empirical contribution is made when presenting and analyzing data on the less researched internationalization of Chinese mid-sized firms. Firstly, the theoretical framework will be presented, followed by the methodology used. Thereafter the empirical analysis is accounted for as well as the main conclusions drawn.

THEORETICAL FRAMEWORK

A network model to internationalization of smaller firms

A common theoretical starting point of internationalization research is the Uppsala model (Johanson & Vahlne, 1977), being a process driven by an interplay between learning about business operations and commitments to international business (Johanson & Vahlne, 2003). Over the years the model has been continuously tested, mainly for MNCs but to some extent also for SMEs (Hohenthal, 2001) and has shown to be valid by most empirical studies (Vahlne & Nordström, 1993, in Fillis, 2001). However, research of e.g. Born Globals with rapid, non-incremental internationalization processes (Bell, 1995; Cavusgil, Ghauri & Agarwal, 2002; Oviatt & McDougall, 2005) show the model to be less useful. For the smaller firms facing size-related barriers for internationalization, developing network relationships can be useful (Bell, 1995; Coviello & McAuley, 1999; Coviello & Munro, 1997). It connects to the industrial network approach, which discuss internationalization of the firm in terms of establishing and developing network positions in foreign markets (Johanson & Mattsson, 1988). This branch of the Uppsala school see relations as significant for firm internationalization since the business network constitutes of relationships spurring international business activities (e.g. Forsgren, Holm & Johanson, 2005; Johanson & Vahlne, 2003; 2006). Through operating in the local market and building relationships the firm gains both network and internationalization experiential knowledge (Johanson & Vahlne, 2003), being essential for further internationalization of the firm.

In Jansson & Sandberg (2008), a Five/Five stages model was developed integrating industrial network theory with internationalization process theory of firms: the relationship model by Ford et al. (2003) and the five stages of Cavusgil's (1980) internationalization model are seen to complement each other. While the former concerns how network experiential knowledge is gained in a country, the latter is a good approximation of how the internationalization knowledge of a firm is developed. The more developed the customer relationships, the more experience the firm has in a particular foreign country market. Thus the model is driven by relationship building since the building of experiential knowledge takes place in networks. Here the entry mode of the firm becomes entry nodes, i.e. how the firm plugs into the local market network (Jansson, 2007b). There are various routes into the networks in the foreign markets or nodes through which to enter. Entries through trade either take place directly with customers/suppliers or indirectly through intermediaries. Direct relationships, or dyads, are established between buyer and seller in the respective countries. Indirect relationships, or triads, involve some outside party or other type of entry node, usually an intermediary e.g. an agent, dealer or distributor (Jansson & Sandberg, 2008). As export mode, usage of intermediary in the foreign markets is direct export, while indirect export takes place via a domestic company, and cooperative export via collaborative agreements with other firms.

The integration of internationalization process theory and industrial network theory in the Five/Five stages model is accounted for as followed: During the pre-relationship stage, the experience of the customers/suppliers is none or very low, uncertainty high, distances large and commitment and adaptations zero. According to Cavusgil's five-stage model, for a SME that has a domestic market focus and starts to internationalize its relationships to a foreign country, the pre-relationship stage corresponds to the pre-export stage for the first foreign market (Gankema, Snuif, & Zwart, 2000). The development of the relationships in the country market starts in the early stage, when commitments and experience increase slowly. This is similar to the experimental export stage for an internationally inexperienced firm according to Cavusgil's five-stage model. The establishment of relationships is a mutual learning process, where the parties learn more and more about each other. Initial adaptations are made, but are still few in number. High uncertainty and high distances prevail between the parties. In these initial stages of internationalization, the usage of indirect exporting is common for resource-poor firms (Cavusgil, Ghauri & Agarwal, 2002), viz. SMEs. However, through indirect export no international knowledge or relations are gained due to no contacts with the international market. To build international relationships, the firm must move into direct export in the experimental stage.

The initial stages are followed by the development stage, during which business between the customer and the supplier starts to grow and resources are increasingly shared. The relationship settles in a stable long term stage with continuous business between the parties. They have now learnt to know and trust each other, and uncertainty is now perceived as being low. Distances are small and commitment high. The main aim with building relationships is to achieve an on-going long-term relationship and reach the final stage where the relationship is extensively institutionalized, and habitual.

Thus, relationships are at the core of the entry process, and they follow a similar pattern as the internationalization process as a whole. A gradual build-up of internationalization knowledge takes place through increased network experiential knowledge. The movement through the stages of the entry process is

intimately connected to the development of institutional knowledge, making it easier to develop customer relationships. As a consequence, the more relationships in a foreign country that have reached later stages, the more established and internationally experienced the firm becomes and the higher the degree of internationalization of the smaller firm. Also, the more countries in which the firm has established relationships, the more internationally experienced the firm is said to be.

Internationalization of Chinese firms

In reference to the internationalization of Chinese firms, the relevance of the traditional internationalization models is discussed and challenged (Du, 2003; Jansson, Hilmersson & Sandberg, 2008; Lou & Tung, 2007). Since the degree of internationalization of Chinese firms in general is still low and concentrated to larger firms (Child & Rodrigues, 2005; Jansson, Söderman & Zhao, 2007), there tend to be a supportive notion of the classical models, e.g. in terms of Chinese firms undertaking outward FDI in foreign markets (Buckley et al. 2007). Elango & Pattnaik (2007) point out that since emerging market firms still are in their early stages of internationalization, the Uppsala model is a highly useful tool of research. Lou & Tung (2007) on the other hand describe that MNEs undertaking outward FDI from emerging markets, e.g. China, face a too different environment to fit the traditional western models. These firms seldom follow an incremental path, i.e. the traditional stage models normally seen as valid for most firms (especially larger ones). Instead they react on pressures such as late-mover position, global competition, and domestic institutional constraints, as supported by Child & Rodrigues (2005). Notably though, Lou & Tung (2007) do not deny that, even if MNEs in emerging markets have a less incremental internationalization, the notion of organization learning and global experience are still key in their internationalization process.

The emerging market MNEs discussed above, e.g. Chinese multinational firms such as Haier, Huawei, Lenovo and ZTE (Lou & Tung, 2007) can be classified as national champions. Other types of Chinese internationalizing firms going abroad from China are competitive networks, dedicated exporters and technology upstarts. Relating to the SMEs studied in this paper, they belong to at least one of the latter three types. In China there are many competitive networks, which is a type of (industrial) clusters of hundreds small co-located entrepreneurial and flexible low-cost producers, mainly within commodity good such as shoes, toys and pens. Firms in these clusters are seen to be interconnected and with governmental support they manage to enter international markets (Zeng & Williamson, 2003). For an SME belonging to a more domestic-focused competitive network or industrial cluster, a way to the global market can be to become a dedicated exporter (Jansson, Hilmersson & Sandberg, 2008). As such, the firm neglects the domestic market potential and expands into (mass) markets abroad, either alone or as sub-contractor of MNEs. The advantages of dedicated exporters are low costs production, manufacturing skills and economies of scale, while they lack experience of marketing and service. The dedicated exporters might have set for the international market directly when China opened up in the late 1970's, but even so, their competitive advantages were built up beforehand in the domestic market. The third type of internationalizing Chinese firms is the technological upstarts, being small high-tech firms with origin from state-owned research institutes. This type of firms often takes great advantage of relations with overseas Chinese (Zeng & Williamson, 2003). Due to the lack of developed high-tech industries in the emerging market of China, technological upstarts tend to resemble what Knight & Cavusgil (1996) refer to as Born Globals, firms being international from inception.

In their research on Chinese firms going abroad, Child & Rodrigues (2005) find three routes of internationalization: the original equipment manufacturer (OEM)/joint venture (JV), the acquisition route and the organic expansion route. The two latter are both 'outward' internationalization by FDI; either acquisition or Greenfield. Both routes tend to be too cost-demanding for small firms with lack of resources in their early internationalization. The first route however is the partnership route, enabling 'inward' internationalization of the Chinese firm by gaining access to knowledge and competences from the multinational partner. In OEM, the relationship is based on the cost advantage of the Chinese partner and the brand advantage of the foreign firm. However, according to Jansson, Söderman & Zhao (2007), Chinese firms involved in OEM tend to be passive suppliers with an internationalization process driven by the foreign demand. This route is often used by Chinese family firms, but is also relevant for firms involved in competitive networks as well as for dedicated exporters. A more direct relation is formed through JVs, where the Chinese firm is able to reach into the internal network of its foreign partner (Child & Rodrigues, 2005). Though, in a JV the Chinese firm might be restrained from building its own international reputation, as possible when being an excellent OEM. According to Lou & Tung (2007), 'inward' investments bring benefits for Chinese firms that stimulate their 'outward' internationalization.

Clusters and competitiveness of internationalizing firms

Firms in their first international steps face different barriers (Tan, Brewer & Liesch, 2007). Reid, DeMartino & Zygidopoulos (2005) argues that managerial, financial, informational and competitive constraints met by resource poor SMEs can be reduced by being part of a cluster. As cluster member the competitiveness of a firm can be enhanced by the external features of the cluster e.g. cost advantages due to the co-location, access to competent personnel, information and joint marketing, as well as connections to institutions and public goods (Porter, 2000). Cluster externalities are shown to enhance the competitiveness of the SMEs involved and thus being part of a cluster will have a positive impact on the internationalization process of the same (Jansson & Boye, 2006; Zeng & Williamson, 2003). An export cluster, as discussed in Jansson, Hilmersson & Sandberg (2008), is a cluster in the domestic market that could act as a (geographical) base wherefrom individual firms could internationalize on their own. In a cluster environment the business network (Forsgren, Holm & Johanson, 2005), could be expected to be highly related to the actors in the specific cluster. When studying such cluster-related business networks it could be beneficial to further integrate the theories of cluster and internationalization processes as suggested by Reid, DeMartino & Zygidopoulos (2005).

In China there are a number of industrial clusters located primary in the economic and export processing zones of the coastal areas. The production focus in the clusters is often standardized consumer or low-technology goods intended for mass markets. The level of innovation and R&D tend to be low (Kanamori, Lim & Yang, 2006). The clusters constitute to a large extent of SMEs that face fierce price competition within the domestic market (Ding, 2007). Kanamori, Lim & Yang (2006) point out such Chinese firms to face growth problems due to the specific constraints caused by the transition economy in China. Also, due to low levels of technology spill over, limited local entrepreneurship and less governmental support, existing clusters do not adequately support SME development. The lack of inter-firm cooperation in existing clusters has underlying factors inherited from the centrally planned era, e.g. firms being unaccustomed to competition and reluctant to needs of upgrading production processes. Going from a situation of independent operations with a predetermined number of customers and distribution channels, to a mode of cooperation is not easily done. It is costly, take time and demand a certain level of trust.

METHODOLOGY

Due to challenges in research of Chinese firms, such as lack of and less access to information and case companies, as well as considerations of reliability of translated primary and official secondary data, an exploratory study was conducted starting with a preliminary frame of reference using a case study approach. The purpose is theoretical development, where the empirical support of a theory is continuously assessed, or, inversely, a reality's theoretical support investigated, through the matching of theories with realities as discussed in Merriam (1998) and Yin (1989). The paper has an inductive starting-point, being characterized by abstraction of empirical results. A qualitative multiple holistic case study (Yin, 1989) was undertaken of six Chinese firms located in the Jiangsu province or Shanghai, both located in the expansive Yangtze River Delta region in China. Five of these six cases are reported upon in this paper (the sixth case was excluded due to insufficient data). The study is the result of collaboration between researchers at the Baltic Business School at the University of Kalmar, School of Business at Stockholm University and the University of Shanghai.

The primary data is based on semi-structured interviews with Chinese case companies conducted in fall 2006 by native researchers lead by Prof. Xianjin Zhao at the University of Shanghai. In total six case companies were visited and at least three representatives from each case company were interviewed between 5-20 hours. The advantages of having native interviewers were less language and cultural barriers, thus the interviewer might get access to more information from the respondents than if we would have conducted the interviews in English or via interpreter. Still, there is reliability issues due to this, since the questionnaire and answers have been translated multiple times. To counteract errors, all interviews were carefully documented in both Chinese and in English. Also, the Chinese collaborators presented their conclusions on two occasions to the Swedish researchers. Each discussion included joint interpretations lasting for about 10 hours. The six cases were then summarized in written form in English and approval was given by top managers/owners of the case companies concerning publication of data and conclusions. In addition to the primary data, I present secondary data concerning industrial clusters in China gathered from reports and articles.

EMIRICAL ANALYS

Overview of the internationalization process of the case companies

The **‘Yangzhou 5A Brush Industrial Co. Ltd.’** (henceforth 5A Brush) is a private mid-sized firm that produces toothbrushes. It is located in Hangji – the ‘City of Toothbrush’ of China. The firm was established in 1993 and started to sell 100 % to the international market instantly due to weak competitiveness and being closed out from the sales network provided by the state-owned companies. To enter the domestic market, it had to build new distribution channels in the market which would be too costly. Therefore, they had to exploit the international market directly which was made through the Guangzhou (Canton) Trade Fair. Thus, from 1993 to 2001, 5A Brush got orders at the Canton Fair as well as undertook indirect export through middlemen at Chinese foreign trade departments. In 2000 the company acquired a Chinese firm and made it to the company’s self-run export company. It also promoted their own brands: ‘5A’ brand in the domestic market and the ‘CORONA’ brand in the international market. Today there is a 50/50 division between these markets. Of the export, ca 55 percent is sold via the Canton Fair, 20 percent via overseas or domestic distributors and agents, and 25 percent via own export of CORONA.

The **‘SuZhou XingXin Knitwear Company Ltd’** (henceforth XX Knitwear) is a private mid-sized firm located in a textile and knitting machinery cluster in Suzhou. It produces apparel of wool, silk, cotton etc., e.g. woman suits and baby clothes. The firm was established in 1986 and until 1992 it was a township enterprise producing clothes for a foreign trade firm in Shanghai exporting to the Japanese market. The export share of the firm has always been close to 100 percent due to heavily dependent on OEM, i.e. producing for other firms and brands. From 2004, when the XX Knitwear gained export rights, the firm started to accept orders also from the US (e.g. GAP), Canada and Europe (e.g. Esprite and Inwear). Japan still accounts for 60 percent of the export, but is decreasing. The full focus of XX Knitwear has been OEM for the international market, thereby having close to 100 % export. In 2003, the company registered an own brand for the domestic market, which now accounts for 5 percent of the sales.

The **‘Far East Cable Co. Ltd.’** (henceforth FE Cable) is a private cable and wire producing mid-sized firm located in Yixing. It started as a township enterprise in 1990. The firm got import and export rights endowed by the state in 1998 and started to sell to international markets in 2001. In 2002 the Far East bought all stocks and Far East Cable became the head quarter of the group. Major export markets are Southeast Asia, West Asia, and Africa. FE Cable mainly works as subcontractor to large Chinese state owned enterprises (SOEs) in their foreign projects, however using the FE Cable brand. Active export markets for ongoing projects in 2006 were Indonesia, Pakistan and Philippines. FE Cable also has some direct export, e.g. to the Philippines, but in total the export share is only 5 percent. Additional to the 2 200 employees in Yixing, there are more than 600 outlets and over 1 000 own salesmen covering all of China.

The **‘Shanghai Yaselan Advertising Material Co. Ltd.’** (henceforth Yaselan Printers) is a private SME with 80 employees situated in Shanghai. The company was established in 1993 and is producing large inkjet printers. In 1994 the manager attended the Canton Fair and spotted US printers. The following years were dedicated to developing similar printers to a lower price. Expanding within the low-end market of inkjet equipment in the domestic market, the first foreign sales took place in 2002. Yaselan Printers are sold under own brand to Southeast Asia, Europe, America, Oceania, and Africa etc. Export is mainly undertaken through distributors in foreign markets (one per market, e.g. in Japan, Australia, India, Turkey, Thailand, Mexico and Pakistan), and presence in domestic and foreign exhibitions. Today the firm works with the devise “Going forward side by side of home and abroad, direct marketing and agents parallel”, and has an export share of 60 percent.

The **‘Suntech Power Co. Ltd.’** (henceforth Suntech) is a private mid-sized firm located in Wuxi. The firm was established in 2001, firstly undertaking R&D and production of solar cell lines (solar cells and solar modules) in China. The start-up was secured by governmental support, as well as professional management and financing from eight SOEs. The first production line was ready in 2002 and due to a non-existent solar cell industry in China the firm was international from inception selling through fairs in Europe. Starting off with a quick expansion in Germany, Suntech expanded to France, Spain, Holland and Italy. In 2004 Europe stood for 92% of total sales. The export was undertaken via agents and to some extent also OEM. In 2005, Suntech entered the US by registering in the New York Stock Exchange and building a subsidiary in Delaware. Expansion was also made in South America and Asia, where they acquired a Japanese firm in 2006. Today Suntech is the No three silicon cell manufacturer in the world and has an export share of 90 percent. A small 10 percent is sold to the domestic market which has starting to grow eventually.

To sum up, the main firm characteristics of the case companies are found in Table 1 below.

Company Firm characteristics	Yangzhou 5A Brush Ind. Co. Ltd.	SuZhou Xing- Xin Knitware Co. Ltd.	Far East Cable Co. Ltd.	Shanghai Yaselan Adv. Mat. Co. Ltd.	SunTech Power Co. Ltd.
Primary scope of business	Production of toothbrushes (own brand)	Production of knitting garment & sweaters (OEM)	Production of cable wire (own brand)	Production of large digital inkjet printers (own brand)	Production of solar cells & modules (own brand/OEM)
Turnover (Million Yuan)	400	80	530	US\$5 Million - US\$10 Million	2 800
Foreign sales (%) 2005	50	95	5	60	90
No. employees	1 500	1 300	2 200	80	2 000
Start year:	1993	1986	1990	1993	2001
Start int. bus. :	1993	1986	2001	2002	2003
Export rights*:	2001	2004	1998	-	-
International spread (main market/s underlined)	North & <u>South America</u> , Europe, Middle East, <u>Africa</u> , Southeast Asia,	Asia (Japan, Taiwan) North America (<u>USA</u> , Canada), Europe (Germany, Denmark),	<u>Southeast & West Asia</u> , (Indonesia, Philippines, Vietnam), <u>Africa</u> ,	<u>Europe</u> (Italy, UK), Oceania (Australia), America, Africa, Southeast Asia	Europe (<u>Germany</u> , Holland, Spain), North America (<u>USA</u>), Asia (Japan)
Entry modes:	1a) Chinese trade firms: Canton Fair, agents, distributors (80%, i.e. main)	1a) Via Sino-Japanese firm in China, foreign trade firms in China (main)	1a) Project sub-contractor to large Chinese SOE (main)	1a) Chinese agents	1b) Agents in foreign markets, competitors
1. Export modes	a) Indirect		1b) Some Chinese foreign intermediaries	1b) Distributors & agents in foreign markets	sales channels
b) Direct				& agents in foreign markets (one/market)	3) Subsidiary
c) Cooperative	1b) Own export company (20%)	1b) Some foreign customers		(main)	USA, acquisition on Japanese firm
2. Intermediate					
3. Hierarchical					

Table 1: Firm characteristics of case companies (source: interviews made in 2006)

* = Year of receiving export rights from Chinese government (before that direct (self-run) export not allowed)

The take off situation

Competitiveness of the firms

In the take off situation, i.e. when the firm goes abroad from the domestic market in order to exploit the global market, firms traditionally are considered to rely on competitiveness built up in the domestic market prior to going abroad. This is the case of FE Cable and Yaselan Printers, having eleven respectively nine years of domestic experience before entering the global market. The competitive advantages built up by the firms in the domestic market were foremost cost competitiveness. In addition, both FE Cable and Yaselan Printers tried to establish own brands in the domestic market to start with. Thereby they got some differentiation advantages in combination with their low cost production, manufacturer skills and economies of scale, which are characteristics for dedicated exporters as described by Zeng & Williamson (2003).

In contrast to going abroad from the domestic market with an already built up competitive advantage, some firms move directly into a global market building its competitive advantage there, like the born globals (Knight & Cavusgil, 1996). However, a born global is (often) characterized by high-tech industry and existing international experience (e.g. by the founder), which is not always the case in firms from emerging markets, e.g. the 5A Brush, XX Knitwear and Suntech. These firms started to export directly from inception, without prior sales in the domestic market due to specific characters of the emerging market China. 5A Brush was forced out since it was left outside the state distribution channels in the centrally planned economy. Thus, it became international from inception but the export was passive and the company was 'chosen by the market'. At this time the firm lacked competitiveness beside low costs. XX Knitwear used the route of OEM when starting indirect export to Japan via a foreign trade firm in Shanghai. Both 5A Brush and XX Knitwear started without any own brands. In comparison to 5A Brush and XX Knitwear, Suntech is more similar to a born global since it is a high-tech firm international from inception. However, the founder, a Chinese researcher educated in Australia, had no former experience of international business. Also, the governmental support for the start-up of Suntech defines it closer to a technology upstart as defined by Zeng & Williamson (2003). Suntech spent two years in R&D and production in the domestic market before entering the international markets due to a non-existent solar cell industry in China at the time. The competitive advantage of Suntech

was its leading technology, i.e. a differentiation advantage, which was build on the founder's former knowledge and skills from research in Australia. In addition there were some cost advantages.

In terms of types of Chinese internationalizing firms, FE Cable and Yaselan Printers were identified as dedicated exporters above while Suntech is seen as a technology upstart. 5A Brush and XX Knitwear on the other hand are seen as parts of two competitive networks since they exited from industrial clusters of toothbrushes and textile respectively. Thereby, in addition to the discussion of firm competitiveness, it can be noted that the competitive advantages of 5A Brush and XX Knitwear are built up in a geographically concentrated industrial base, while the FE Cable and Yaselan Printers follow a more traditional path in building up its competitiveness in domestic national-wide industries; the cable industry and the printer industry. Suntech on the other hand diverges by operating in the international market from start.

Choice of export mode

When going abroad from the domestic market, either with former experience from it or going international from inception, firms traditionally choose the direct export mode. Commonly for resource-poor firms, indirect exporting is used in the take off situation. 5A Brush, XX Knitwear, FE Cable and Yaselan Printers all started out having indirect export via Chinese trade firms and/or agents. The main channel for 5A Brush was the Canton Fair, through which indirect export occurred from the beginning. Its first export was passive but triggered by being chosen by the market (similar to unsolicited order). This was also the case for XX Knitwear producing for a foreign trade firm in Shanghai exporting to Japan, while FE Cable received (unexpected) offers from foreign intermediate merchandise. Yaselan Printers on the other hand self discovered the opportunities of export via participation in domestic and foreign fairs. However, when the firm only has an indirect relation to the foreign market, selling through an intermediary in the domestic market, the firm gains no experience, knowledge or relationships in the foreign market. Even though having full scale export, the seller cannot be seen as an internationalized firm. For this, the firm must move into a direct export, as in the case with the technological upstart Suntech exporting directly via agents in the foreign markets. The trigger of internationalization for Suntech was the non-existent market in China and thereby a domestic based indirect export was excluded naturally.

The initial stages of the internationalization

The initial internationalization of the case companies

Once the firm has taken off from the domestic market, either with former experience from it, or going international from inception, the firm enters the initial stages of the internationalization process. In accordance with the Cavusgil (1980) internationalization process model, all the case companies have moved past the pre-export stage. With the exception of Suntech, all firms are more or less in the experimental export stage. Here the export is said to be limited as seen in the case of FE Cable having only 5 percent export. However, the other firms have export exceeding 50 percent which would indicate a committed involvement in export with a high degree of international experience. However this is not the case of 5A Brush, XX Knitwear and Yaselan Printers. Instead they mix a high export share with less experience due to mainly indirect export. In terms of stages, the indirect export mode can be seen as a pre-stage of the experimental export stage which is more direct. In the case of Suntech, they leapfrogged through the stages and became an active exporter immediately.

Firm experience and knowledge development

From the initial stages, firms move on in their internationalization process through increasing their experiential knowledge and strengthen their international commitment. The firms most involved in indirect export is XX Knitwear, being heavily dependent on OEM, and FE Cable, working as a project subcontractor to large Chinese SOEs, thus undertaking indirect export in the form of piggybacking. The upside of these kinds of indirect export is that OEM provides an opportunity to gain knowledge from the foreign partner, and piggybacking means an opportunity to ride on the brand and recognition of the larger Chinese firm making projects abroad. Both firms have also managed to start some direct export, though this seems to be more connected to overseas Chinese trade intermediaries. Thus, less experience of the foreign country market and its domestic customers is obtained.

After several years with only indirect export, both 5A Brush and Yaselan Printers have tried to gain more direct export. 5A Brush learned from the establishment of an US global competitor in the toothbrush city that differentiation advantages such as brands impact profits. Thus, the firm introduced both a domestic and an international brand bringing more profits and recognition to the firm. As a result of this and in addition to the opening of the Chinese domestic market, the export has gone down from 100 percent to 50 percent – or – the

domestic sales have increased from 0 to 50 percent. To be able to handle more direct international contacts, an own self-run export company was acquired. Still the main share of export is indirect, but through its own sales company 5A Brush will be able to establish relationships and enhance its international presence. Yaselan Printers on the other hand has focused on the direct export by having agents in several countries all over the world. Its devise of 'Going forward side by side of home and abroad, direct marketing and agents parallel' indicates a wish of developing both the domestic and international market. As usual Suntech shows a different path than the other firms – being active from start having direct export via agents in foreign markets as well as using the sales channels of competitors, Suntech also has undertaken FDI through setting up a subsidiary in the US as well as made an acquisition of a Japanese firm. This (costly) kind of outward internationalization was facilitated by the initial support of the Chinese government and the capital provided by the SOEs. In comparison to the inward internationalization by XX Knitwear through its OEM partnership, the lessons learned from the global partners could stimulate future outward internationalization. Yet it has not, the only orientation away from the OEM was the initiation of an own domestic brand, making the export share decrease from 100 to 95 percent.

Relationship building

The building of international relations is connected to type of export mode. In indirect export no international relations are established since the export is made via an intermediary in the domestic market, e.g. the Canton Fair and/or domestic trade companies. Through the indirect export, 5A Brush, XX Knitwear, FE Cable and Yaselan Printers have been able to build up a strong domestic business network which some of them have used in order to find and develop international contacts.

The 5A Brush has mainly indirect export (80 percent) to three types of markets: (1) top grade markets being European and American markets considering both quality and packaging, (2) middle grade markets in Eastern Europe, Middle East and South East Asia interested in the practical use of the products, and (3) the low grade markets in Africa and south America demanding low prices. To meet the demand of its customer, both international and domestic, 5A Brush has a business model with three legs; the first is to take advantage of domestic networks in terms of the foreign trade companies and Canton Fair, the second is to use the direct international contacts established by the self-run export firm with foreign agents and distributors, and the third is sales to the domestic market. In their direct contacts with international end-customers (via the self-run export firm) 5A Brush has not come much further than the pre-relationship stage. The contacts are mainly indirect (triads) and the communication is mainly to secure orders and deliveries. To establish and maintain its business network, representatives from 5A Brush attend fairs and use the internet. E.g. a specific division was set up in order to answer e-mails 24/7.

For XX Knitwear the dominating part of the export has been indirect as OEM, but through its existing domestic business network they have established some direct export. The take off nodes used by XX Knitwear are: (1) Chinese foreign trade companies, one in Shanghai providing Japanese orders, one in Zhejiang selling to the Japanese market and a little to the US, and one in Hong Kong having a manufacturing plant close to XX Knitwear. The latter sometimes give XX Knitwear orders, and vice versa. (2) Business partners, such as a Sino-Japanese firm selling to Japan. (3) Personal friends of the manager whose business contacts in Hong Kong introduced XX Knitwear to customers in Europe and the US. Thus, XX Knitwear primarily uses its domestic network (*guanxi*) of friends and business companions for obtaining orders. Also in the export market, new direct business relationships were found through domestic companies and friends. One key point for internationalization of the firm was when they received customers outside Japan (in relation to gaining self-run export rights). As a result, the share of the Japanese market has decreased in favor of primarily the US market and to some extent the European markets, where XX Knitwear attained their first international direct (dyad) contacts. Still however these direct relations are limited and only in the beginning of their development.

The FE Cable has a small total export share constituting of mainly indirect export. The firm serves three types of customers: (1) large Chinese SOEs, FE Cable work as a subcontractor of supporting products in their foreign projects, (2) a couple of direct export links established e.g. in the Philippines after receiving export rights in 1998, and (3) some sales to foreign intermediate merchants (agents/distributors) that send in purchase offers. However, the latter is less considered since they often seek for lowest price thus resulting in low profits. Overall, the main part of the export of FE Cable is indirect export in terms of piggybacking on large domestic firms. The relation and cooperation with the domestic business network of SOEs is stable and the firm is continuously chosen for foreign projects indicating it to be close to a mature relationship. Beside the domestic business network however, only a few direct relations are established with foreign contacts in close-by Asian markets. Thus the level of international relationship building is low. One possible line of action for

FE Cable could be to take advantage of the reputation of their domestic business partners and try to find own contacts in the markets served by the SOEs.

In Yaselan Printers the customers served are: (1) great brand clients demanding high quality service and offer higher price, (2) slightly lower class clients, and (3) scattered clients, small in size and price focused. These clients are served through indirect export via Chinese agents and, to a larger extent, through direct export via distributors and agents all over the world. The latter is a classical triad relation. There is seldom more than one intermediary in each country and Yaselan Printers secures the relations with the intermediaries by providing training of the engineers in the foreign agencies. Customer relations are strengthened by visiting the foreign customers abroad. At the same time the firm learns about the development in overseas markets, helps customers with problems, discusses future improvements of products as well as promotes new products. Thus the firm is willing to learn from foreign intermediaries and customers, which lays ground for further international expansion. New direct export business relations are established through the foreign purchasing traders, i.e. the international business network of the firm, as well as participation in domestic and foreign trade fairs. The firm states that 'we expanded our businesses through the good relationships with customers!' and has a devise of developing markets home and abroad with 'direct marketing and agents in parallel'. This indicates an understanding of the importance of relationship building in terms of internationalization of the firm and thus Yaselan Printers, in comparison to the other firms more based on indirect export and fewer direct contacts, has come furthest in the relationship building of direct international business relations.

To enable instant internationalization, Suntech relied heavily on both domestic and international business networks as well as the personal network of the founder. As a PhD student of one of the leading solar cell researchers in the world, the Chinese founder of Suntech had access to an international research alumni network. To set up the business in Wuxi, local contacts of a Chinese fellow researcher/friend and later business partner rendered governmental support for the project which secured the financing from eight large SOEs. The latter also provided excellent management skills to the firm. After the first two years of R&D more capital was needed and the business partner again used his extensive interpersonal relationships in order to gain loans from SOEs and local government. Thereafter it was time to enter the global market. Suntech started with participating in international fairs e.g. in Europe followed by establishing relationships with agents in foreign markets and took advantage of competitors' sales channels to reach customers. With both agents and customers the aim was to build long-term relationships, e.g. by setting up collaboration agreements. For further international expansion, Suntech established a subsidiary in the US and acquired a Japanese firm to get access to its sales channels.

Overall, firms relying on indirect export do not gain any direct international relations. However, they can use their strong domestic business network to find international customers, e.g. as made by XX Knitwear. Still though, the direct relationship building capacity of XX Knitwear, 5A Brush and FE Cable is limited. Their few direct relations have not come far in the relationship building process, most of them still being in the pre-relationship and early stages. This implies that these firms in terms of relations are less internationally experienced than the firms having more direct export relationships or some of them even having own subsidiaries abroad. The most developed firm in terms of direct relationships is Suntech, having relied heavily in both own and others domestic and international networks.

The export clusters

Export clusters in China

Several of the many Chinese industrial clusters are located in one of the most prosperous areas in China: the Yangtze River Delta. The YRD includes the municipality of Shanghai and the provinces of Zhejiang and Jiangsu. The YRD constitutes 1 percent of China land area, but corresponds to 18,6 percent of its GDP in 2005. With an export of USD 276 Billion (an increase by 32,5 from 2004), the region is one of Chinas leading industrial and export bases. The major industrial clusters in the YRD constitutes of 15 cities, each having between 8 and 22 industrial clusters in various industries (Li & Fung Research Centre, 2006). Two of the industrial clusters in the Jiangsu province are the Hangji town close to Yangzhou, and the city of Suzhou. In the former, the 5A Brush is located, and in the latter, the XX Knitwear.

Hangji is the 'city of toothbrush' in China. The man-made toothbrush industry began here in 1827. There are more than 1 000 individual units located in Hangji producing toothbrushes, corresponding to 70 % of the toothbrush manufacturing firms in the whole country. In addition, there are eight raw material suppliers, three suppliers of toothbrush equipment and more than 300 providers of supporting business and services in the cluster. More than 90 percent of the firms in Hangji are small family-owned firms, but despite their small size they are well capable of covering the local market. Half of all the firms in the cluster are newly established

(younger than six years) and few of them have reached any large turnovers. Some main strengths of the Hangji cluster are its strong national-wide sales network and easy access of experienced workers. Its competitive advantages are competitive low price, prompt delivery, powerful sales network and rapid information flow within the established localized networks of complementary firms that has emerged. Most firms in the cluster target the domestic market only, while some of the larger firms have started to sell to the international market. The annual output from Hangji is 3 billion toothbrushes (and it is growing), being the largest toothbrush production base in the world. Overall, China is a large toothbrush manufacturing country. Due to the large amount of toothbrush mills, the competition in the national market is severe (Jian, 2003). According to the Li & Fung Research Centre (2006), the Hangji toothbrush cluster is formed as a result of expansion of a few large enterprises, stimulating the growth of other firms in the cluster. Also having governmental support, the Hangji cluster is close to a competitive network.

The city of **Suzhou** is a textile center concerning cotton, silk and wool. The silk knit goods are seen as premium, with an export constituting 30 percent of all the silk export from China. Suzhou was beside Shanghai the largest exporting city in the YRD in 2005. The largest output in Suzhou in 2004 came from the 'textile' industry (14,8 %), followed by the industries of 'general purpose equipment manufacturing' (10,7 %), 'chemical materials and products' (9,6 %) and 'metal products' (6,9 %). Suzhou has industrial clusters in textile, as well as in knitting machinery (Li & Fung Research Centre, 2006). Clothing and textile is one of China's pillar industries and the production accounts for more than 9 percent of the GDP and more than 25 percent of the foreign exchange revenue. The export from China in terms of knitwear is rising steadily. In 2005 it accounted for 20 percent of the world output. The main way to export within the industry is through OEM, undertaken by circa 90 percent of the export. Thus, Chinese self-branded clothes only represents 10 percent of the export. Most of the exported products are within middle or low level of quality. Such clusters as the textile cluster in Suzhou is often, according to Li & Fung Research Centre (2006), traditional self-initiated clusters in which the firms are entrepreneurial and family owned. They are often labor-intensive, low technology and low threshold of entering. Thus, also this cluster has similarities to the competitive network as discussed by Zeng & Williamson (2003).

Cluster localization effects on firm internationalization

The **5A Brush** started to sell 100 percent to the international market from inception. However, the export was indirect via the Canton Fair and the firm was chosen by the market as well as locked out from the sales channels of the state-owned firms. During this period, from 1993 to 2001, the firm seems to have acted mainly alone working up a domestic business network and growing larger in the cluster. The main turning point came then the US global player Colgate formed a joint venture with one large Chinese player established in Hangji. Before this JV, Colgate earned profits about 3 to 5 Yuan per toothbrush, in comparison to only 5 Fen by the Hangji producers. This was something that the actors in Hangji were not aware of. Three years after the JV of Colgate and the Chinese SOE Sanxiao Group in 1999, Colgate purchased the stocks of Sanxiao Group and the brand for 21 million US dollars. This was a wake up call for the toothbrush companies in the country, seeing the opportunity to earn money. The Colgate Sanxiao Company became an exclusively foreign-owned enterprise and Colgate's Asian production base. After two or three years, at least half of the toothbrushes sold by the Colgate where produced in China.

With the Colgate JV, producers in Hangji discovered that Colgate when using Sanxiao Group's workplace and equipments to produce toothbrushes with the same equipment, raw materials and workers as the Chinese producers, still made profits about 50 to 100 times of the average profits earned by the private companies in Hangji. After repeated considerations, the Chinese producers recognized that the difference between them and the international companies was mainly the lack of autonomous intellectual property of the toothbrushes produced. At this time they had no sense of trademarks, the brands where not very well-known, and some companies even produced for others' brands (OEM). After this turning point, understanding the value of brands, 5A Brush began to promote its own trademark '5A' to the national market. The profits then soared about 2 to 3 times. In order to avoid the direct collision with main competitors Colgate and Crest in the top grade market, the company began to produce the lower and mid grade toothbrushes to meet the national demand and to satisfy the rural toothbrush market which occupied 90% in the country. At the same time 5A Brush also promoted the CORONA brand to the international market. The market share in China of 5A Brush has thereafter increased from 8 % to 15 % while, the market share of Colgate has reduced greatly from about 50 % down to 30 %. Thereby, by being established in the cluster, 5A Brush was able to learn from the case of Colgate Sanxio in terms of brands and thus get a peak in both export and domestic market. In addition, governmental support was given to brand development of firms.

Now when 5A Brush is one of the more well-known firms in the cluster it contributes e.g. by arranging conferences on the formation of Chinese national toothbrush standard together with three other private

companies, and did also participate in the standard formulation group. From start 5A Brush was outside the SOE sales channels. Today they have access instead to the quality distribution system of the Hangji cluster, making it possible to get new products into the domestic market within one week.

Also **XX Knitwear** started out directly with exporting to the international market in an indirect export mode. The first customer was a foreign trade company in Shanghai that sold the goods on the Japanese market. XX Knitwear is like most other firms in the industry dependent on OEM and has always been. However, the firm strives to gain some brand recognition and has started its own brand in the domestic market. The main advantage taken of the cluster is the usage of its domestic network, including friends and business partners to obtain international orders and contacts, and the worked up relationships and experience of the manager. It is a well-known company that has long-term cooperation relationship with most of the biggest clothing trade companies in China. The XX Knitwear manager has worked in a sweater knitted garment industry for more than 10 years, recognizing that many people in the trade. Thus, the firm primarily uses its domestic (not necessarily local) business network, the *guanxi*, of friends and business companions for obtaining orders. In addition, the main opponents of the firms are also established within the Suzhou cluster. This enables the firm to keep track of the competitors.

Advantages gained and challenges met through cluster location

The advantages stated by 5A Brush in terms of being established in the Hangji cluster are availability to the same labor costs, manufacturing technology and management level. For XX Knitwear the access to the domestic network seem to be very important, as well as the experience gained by the manager in terms of relationships within the industry. The overall challenges are mainly connected to profits and competition. Other challenges are the crowded domestic market, fluctuation of the international oil price, the low profits of toothbrushes caused by the low-priced competition and the regional battles. XX Knitwear, still being a typical OEM with low returns perceives lack of management expertise, access to export markets, and have difficulties to conform to one international operation in order to meet market demand. Coming challenges are the increasing costs of raw material and labor costs. Some of the challenges mentioned could be counteracted through more active collaboration in the competitive networks that the firms actually are part of but not so much uses. For example access to competent management personnel (seems however to be an overall lack of competent managers in China), information sharing such as introduced in the Hanji cluster and joint marketing, as well as connections to institutions and public goods. The institutional connections could be exemplified by the governmental support of the brand development by 5A Brush.

One reason for lacking cooperation between firms in the industrial clusters of China is the characteristics coming from when China was a centrally planned economy. Going from a situation having a predetermined number of customers and distribution channels to a mode of cooperation is not easily done since it is costly, takes time and demands a certain level of trust. However, while this might be the case for many of the firms in both clusters, it is not for 5A Brush and XX Knitwear. They both became international from start, 5A for example due to being closed out from the sales channels of the state owned firms, so the firm never had to adjust from a pre-set number of customers to a market with free competition and possibilities of cooperation. Even though never bound by the centrally planned system, both firms are clearly influenced by the different features of this system. Also, both firms lack experiential international experience and should be able to identify actors within the cluster for collaboration in terms of learning and relationship building with new (direct) entry nodes into foreign markets. In the future, 5A Brush and XX Knitwear might be able to make a contribution to the clusters as best practices for smaller firms showing a successful story of internationalization of Chinese mid-sized firms. Though, the advantages of the clusters, e.g. information sharing and economies of scale, as well as best practices in terms of competitive firms within the cluster, might be the key to spur future co-operation in China's clusters.

MAJOR FINDINGS AND CONCLUSIONS

In the take off situation firms tend to go abroad from the domestic market by bringing a competitive advantage along to be exploited on international markets. When it comes to firms from China, being an emerging market, it is obvious that one cannot assume that such firms first build up their competitive advantage in the domestic market prior to going abroad as traditionally suggested. Instead different ways of action is shown: (1) Building on cost competitiveness directly in the international market due to forced out by a closed centrally planned home market. The export mode undertaken is indirect, so no international experience, knowledge or relations are gained. (2) Building on cost competitiveness in the domestic market as traditionally suggested. When it is time to enter the international market, the cost advantage has been complemented by a differentiation

advantage in the form of an own brand. The take off is triggered by unsolicited orders, and the export mode is either/both indirect and direct export. The latter could perhaps be seen as preferential in order to enhance the export share of the firm. (3) Building up differentiation competitiveness in the international market through being international from inception due to a non-existent industry in the domestic market. Also this is caused by the characteristic of the emerging market, where high-tech industries are under development, e.g. when launching technological upstarts. Such firms are similar to born globals, which would be the exception from the domestic base pattern in mature markets. Since born globals are international from inception and jump stages in traditional internationalization process models, they build competitiveness in the international market. The main difference between born globals in mature versus emerging market could be that the latter often are lagging behind in terms of international experience of the founder and existing sales channels.

Moving from the take off situation into the initial stages of internationalization is a process of experiential learning and relationship building. Over time, the notion of less knowledge and experience of foreign markets compared with competitors, as well as lack of direct foreign relations, created a movement into more direct export for firms initially dependent on indirect export. There are some specific factors characterizing emerging markets that influences the initial stages of firm internationalization process. Examples are the rules of the centrally planned economy locking out firms from the domestic market thus creating what could be seen as 'forced out' born globals, the fierce domestic competition from both domestic and international players, and sometimes non-existent markets. However, the Chinese firms are situated in a rapidly growing emerging market that offers huge business opportunities. Thereby, the interplay between the domestic versus the international market is interesting. One can see that when possibility arises, Chinese mid-sized firms are keen to grow on the home market as well.

Being situated in cluster environments, Chinese firms have the inherent possibility of gaining a springboard effect into foreign markets if the firm utilizes the advantages of collaboration. However, it seems like the clusters mainly play the role of export clusters from where the individual firm go into the international market on its own as a dedicated exporter. As such, the cluster becomes a take off node, since it is how the firm goes abroad from the (domestic) local market network and it becomes a springboard for individual rather than collective internationalization. In comparison, firms acting as dedicated exporters used either or both of indirect and direct export to various extent. It is seen that more direct export facilitate more international experience and knowledge as well as more and deeper international relationships. Thus, that firm is considered to have a higher international degree than the firm lacking direct international contacts. One could also see that the firm with more relationships also had established contacts in a larger number of foreign markets than the other firm, being mainly connected to the emerging country markets served by the large contractors it was piggybacking on. With only indirect export, there is no entry node to consider. However, the take off node in the case of the dedicated indirect exporter is a project cluster, formed by the contractors and the firm acting as subcontractor in foreign projects. While the entry node of the dedicated direct exporter was agents and distributors, the technological upstarts takes one step further in the establishment chain in establishing own subsidiaries and production units abroad. Overall, relations were seen as key in the internationalization process of the firms. A more direct export mode facilitates the usage taken of business networks as well as determines the scope of the networks.

The above findings are presented in a conclusive table of firm characteristics below.

Company Firm characteristics	Yangzhou 5A Brush Ind. Co. Ltd.	SuZhou Xing-Xin Knitware Company Ltd.	Far East Cable	Shanghai Yaselan Adv. Mat. Co. Ltd.	SunTech Power Co. Ltd.
Type of firm	In competitive network	In competitive network	Dedicated exporter	Dedicated exporter	Technological upstart
Degree of internationalization	Experimental export	Experimental export	Experimental export	Experimental export	Committed export
Foreign sales (%) 2005	50	95	5	60	90
Competitive advantage base	International market	International market	Domestic market	Domestic market	International market
Start year:	1993	1986	1990	1993	2001
Start indirect exp:	1993	1986	2001	2002	-
Start direct exp:	2001	2004	2001	2002	2003
Export rights*:	2001	2004	1998	-	-
Main export mode (type of export)	Indirect export	Indirect export	Indirect export	Direct exports	Direct export
Entry mode	-	-	-	Agent	Agent

(into the foreign market)				Distributors	Subsidiaries
Take off node (go abroad from domestic market)	Industry cluster	Industry cluster	Project cluster	-	-

Table 2: Conclusive table of firm characteristics (source: interviews made in 2006/author interpretations)

* = year of receiving export rights from Chinese government (before that direct export not allowed)

Since this is an exploratory study facing limitations such as few case companies and considerations of reliability of the data, the conclusions above should be seen as suggestions for further research in order to enhance the understanding of the internationalization processes of Chinese midsize firms, more than as conclusive statements.

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