Exploring the role of internal resources, capabilities, and external enablers in Chinese SMEs' international expansion

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By

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Abstract

This study explores the internationalisation of Chinese small and medium-sized enterprises (SMEs) as a result of leveraging both internal and external resources and capabilities. The resource-based view (RBV) and capability perspective are used to enhance current knowledge on this emerging phenomenon. In addition to the resources and capabilities that inherently exist within the firms, resources controlled by external stakeholders can also be utilised by firms to achieve international success. The empirical analysis draws on data obtained from forty interviews with senior managers in Chinese-based internationalised SMEs across various industries. To enable voices from different perspectives to be heard, interviews were also conducted with other stakeholders of SMEs, namely representatives from three universities and one digital platform. The findings showcase the specific sets of resources and capabilities that can influence international outcomes of firms, including speed and mode of foreign market entry. Moreover, the findings also highlight three ways in which the various resources and capabilities can interact to facilitate firms' internationalisation. In so doing, this study contributes to the IB literature by elucidating the facilitators of Chinese SMEs' internationalisation through the lens of RBV. By configuring and recombining certain resources and capabilities, Chinese SMEs across different industries can achieve rapid internationalisation and/or enter foreign markets with high-commitment foreign market entry modes.

Keywords: Internationalisation, SMEs, Speed, Mode, RBV, Capability Perspective

Dedication

I dedicated this thesis

To my parents,

Qun Li and Jiaqin Yang

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Declaration

I hereby declare that the thesis is based on my original work, except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Brunel University or other institutions.

Hongyi Yang

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Chapter 1: Introduction

1.1 Overview

Conventional international business (IB) literature has been dominated by research on multinational enterprises (MNEs) (Andersson and Forsgren, 1996; Buckley and Casson, 1976; Rugman, 1980). More recently, the field has evolved to include small and medium-sized enterprises (SMEs) and new ventures (Dimitratos et al., 2003; Knight and Cavusgil, 2004; Knight and Liesch, 2016; Oviatt and McDougall, 1994; Stoian et al., 2018). Over the last few decades, international entrepreneurship (IE) has thrived across the world. In comparison with the traditional approach to internationalisation (Johanson and Vahlne, 1977), which views internationalisation as a gradual process driven by accumulated experiential learning, the internationalisation of entrepreneurial firms exhibits different patterns. For example, internationalisation after the inception of a firm is radical rather than incremental (Chetty and Hunt, 2004). Internationalised SMEs have now achieved legitimacy in academic research, although more studies are needed, especially on developing theoretical perspectives (Knight and Liesch, 2016).

The emergence of international entrepreneurial firms highlights the importance of understanding young resource-limited companies that place an emphasis on opportunity creation, innovativeness, and profit through international expansion, as opposed to large and mature MNEs (Zander et al., 2015). In addition to rapid internationalisation, attention has also been paid to the modes of foreign market entry. For instance, SMEs that enter foreign markets through high commitment foreign market entry modes are recognised as micro-multinationals (mMNEs) (Dimitratos et al., 2014; Stoian et al., 2018). While the performance and growth-related international outcomes of SMEs has been widely studied (Acosta et al., 2018; Cavusgil and Knight, 2015; Knight, 2001; Lu et al., 2010), limited attention has been paid to non-performance outcomes, especially in relation to patterns of internationalisation (Baum et al., 2015; Cavusgil and Knight, 2015; Kriz and Welch, 2018). To address this gap, this study focuses on patterns of internationalisation of SMEs, specifically in relation to their speed and mode.

The Uppsala model or sequential process shows that firms establish themselves in their home countries and accumulate experiential knowledge (and capabilities) before entering foreign markets (Johanson and Vahlne's, 1977). The model was later extended by including opportunity creation and recognition to accommodate the growing acknowledgment of opportunities in international venturing, and by adding entrepreneurship factors to the internationalisation process (Johanson and Vahlne's, 2009; Schweizer et al., 2010). More recently, scholars revisited the Uppsala model and have added two additional dimensions: the impact of digital technology and individual decision-makers (Almodóvar and Rugman, 2015; Coviello et al., 2017; Liesch and Welch, 2018; Vahlne and Johanson, 2017).

Existing literature has also highlighted a lack of research on how entrepreneurial level characteristics and perceptions might influence the internationalisation of firms in China (Yan et al., 2018). IB researchers are increasingly encouraged to study entrepreneurial SMEs in emerging economies (Deng, 2012; Falahat et al., 2018; Lin et al., 2016; Terjesen et al., 2016; Zander et al., 2015). China is considered particularly suitable for studying the internationalisation of SMEs due to the economic reform and significant policy changes that have taken place in recent decades (Child and Tse, 2001; He et al., 2018; Yan et al., 2018). Responding to these calls, this study explores the perceptions of entrepreneurs/managers of Chinese SMEs, as well as external factors such as institutional and technological influences.

The mainstream resource-based view (RBV) indicates that companies can achieve a competitive advantage by building bundles of strategic resources and/or capabilities (Wernerfelt, 1984; Barney, 1991, 1996; Barney et al., 2001). Resources can be owned internally by firms or externally by other stakeholders who make them available to firms (McGrath and O'Toole, 2013; Kale et al., 2002; O'Toole and McGrath, 2018). However, the current RBV requires more contextualised studies and research on the combined effect of resources and capabilities, especially in the IE field (Gunasekaran et al., 2017; Kellermanns et al., 2016). Thus, this study employs RBV to understand the influence of different resources and capabilities on the internationalisation of Chinese SMEs as perceived by their entrepreneurs. Although existing literature has argued for an interplay between resources and capabilities, little is known about the multiple forms of interaction among firms' international resources, internal capabilities, and

external resources. To address these gaps, this study investigates the specific configuration of resources and capabilities SMEs require for their international expansion.

Although little research has been conducted thus far into the internationalisation drivers of Chinese SMEs, the phenomenon is gaining increased momentum. It is therefore timely and relevant to gain in-depth understanding into this research topic. Thus, an abductive, interpretative approach was employed in which qualitative interview data was collected from the founders/senior managers of 40 internationalised Chinese SMEs. As suggested by Haley and Boje (2014), data were also triangulated by incorporating voices of different external stakeholders (i.e. university and digital platform representatives) who provide important resources to support the internationalisation of Chinese SMEs.

This study contributes to the IB literature by shedding light on key drivers of Chinese SMEs' internationalisation through the lens of RBV, and by exploring the interplay between different resources and capabilities in relation to such internationalisation. It also has practical value as it provides a roadmap for SMEs managers to identify the key resources and capabilities required for specific international outcomes such as rapid speed and high-commitment entry modes. As such, this study can enhance managers' strategic decision making in relation to the international expansion of their firms.

1.2 Research rationale

The motivation of conducting this study strongly came from the dramatic changes occurred on Chinese SMEs in the recent decades. SMEs in China did not obtain legitimacy before 1980s, and private firms used to struggle to gain legal rights to export before 2000s (Gao et al., 2010; He et al., 2018). Thanks to China's economic reform and opening-up policies, SMEs then started playing an increasing role in the domestic economy and being able to perform on the global stage (He et al., 2018). In 2015, the outward foreign direct investment (OFDI) outperformed inward foreign direct investment (FDI) for the first time (Deng and Zhang, 2018; KPMG, 2016). Furthermore, since 2013, Chinese SMEs have generated up to 60% of the country's total GDP and, by 2017, comprised 97.5% of all registered enterprises (NBSC, 2014; NBSC, 2018).

Considering SMEs are playing an increasing part in the domestic economy and international trade in China (Deng, 2012; Deng and Zhang, 2018; Yan et al., 2018), the researcher was motivated to study the internationalisation of SMEs in the Chinese context. This has been accompanied by an awareness of the growing amount of available resources for SMEs and new ventures that can be employed to support their international expansion. Thus, it is timely to investigate the issue of internationalisation of SMEs in China, as well as providing implications for entrepreneurs and managers to achieve desired international outcomes.

1.3 Research aim and objectives

This study aims to investigate how internal resources, capabilities, and external resources influence patterns of internationalisation of Chinese SMEs. To achieve this aim, the following objectives were elaborated:

- To understand which resources and capabilities are perceived by entrepreneurs/managers as important for the speed and mode of Chinese SMEs international expansion.
- To investigate how different internal/external resources and capabilities interact to achieve international expansion of SMEs across various industries.
- To explore the specific combination and configuration of resources and capabilities required for the international expansion of SMEs, with emphasis of internationalisation speed and mode.

1.4 Research questions

To investigate the role of internal resources, capabilities, and external enablers in the internationalisation of SMEs and achieve the stated aim and objectives, the following research questions were addressed:

1. How do Chinese SMEs leverage internal resources, capabilities, and external resources to expand internationally? (configuration and combination of resources and capabilities)

2. How do different internal/external resources and capabilities interact to influence the speed and mode of SMEs international market entry?

1.5 Thesis structure

This study consists of five chapters. Chapter 1 presents the topic, aim, objectives, and main research questions for this study. It also identifies gaps in the existing literature and explains how this study can add knowledge to the research field. Finally, the researcher explains their motivation for undertaking the research.

Chapter 2 then presents a review of the existing IB literature and insights from the RBV, which provide the theoretical background that forms the foundation of the study. Separate subsections then address the importance of different resources and capabilities for the internationalisation of firms. Chapter 2 also highlights the specific resources and capabilities that contribute to the internationalisation of Chinese SMEs.

Chapter 3 presents the research design of this study, encompassing the underlying philosophy, methodological approach, data collection, data analysis, reflexivity, and research ethics. The chapter also justifies the appropriateness of employing such research design to satisfy the research aim and purpose of the study.

Chapter 4 then presents the main findings. Empirical data obtained from semi-structured interviews are analysed in terms of themes derived from initial and thematic coding. The findings are constantly iterated with the literature to enhance the researcher's understanding of both data and theory, and to allow new ideas to bloom. During the analysis of interview data and documentation, the researcher also made efforts to obtain updates on all the firms and kept in touch with interviewees to ensure the interpretations of the data fully and accurately reflected the perceptions of participants.

In Chapter 5, the findings are discussed, and conclusions based on the research are presented. The chapter first summarises the findings, compares them with the existing literature accordingly to the two research questions. Finally, the chapter highlights the theoretical and practical contributions made by the research and addresses any

limitations that have emerged. Several recommendations are then made for future research.

Chapter 2: Literature review

2.1 Introduction

This chapter will review the existing literature in the IB field and the current research of RBV. Firstly, this chapter will introduce the theoretical background of this study including both RBV and SMEs internationalisation literature. Secondly, this chapter will review the literature of SMEs' internal resources and capabilities, and their influence on the internationalisation of firms. Thirdly, this chapter will present the existing studies on the external resources enabled by other stakeholders, which firms can access to facilitate their internationalisation. Finally, the context of China will be highlighted in this chapter.

2.2 Theoretical background

2.2.1 SMEs' Internationalisation

In comparison to the traditional internationalisation approach (Johanson and Vahlne, 1977), which considers internationalisation as a gradual process which is driven by accumulated experiential learning, the internationalisation of entrepreneurial firms, such as international new ventures (INVs) and Born-Globals (BGs), is considered radical after a firm's inception rather than being incremental (Chetty and Hunt, 2004). There are three important elements in the Uppsala model. Firstly, firms grow and accumulate experiences in the domestic market and then expand to foreign markets. Secondly, firms enter geographically or psychically close markets and begin to move into more distant markets incrementally. Finally, firms begin their international activities initially by exporting products or services and then, as experience accumulates, they increase their commitment to foreign markets by establishing subsidiaries internationally (Johanson and Vahlne, 1977).

Nevertheless, the Uppsala model of internationalisation has been continuously challenged by the IE literature, especially those regarding INVs and BGs (e.g. Knight and Cavusgil, 1996; Knight and Cavusgil, 2004; Oviatt and McDougall, 1997). The instant and non-stage process of INVs and BGs has been revisited and examined by researchers, and has evolved over time (Almodóvar and Rugman, 2015; Coviello et

al., 2017; Forsgren, 2016; Dow et al., 2018; Vahlne and Johanson, 2017). Coviello et al. (2017) suggested adding two critical dimensions on the revisited Uppsala model. These are the influence of digital technologies and the influence of individual decision-makers. Coviello et al. (2017) also highlighted the significance of linking the most recent iteration of the Uppsala model to their study, which was performed on non-traditional multinationals in the digital environment. Information technology and the internet have enabled changes to occur in the IB landscape and has increased resources for firms (Knight and Cavusgil, 2004; Tran et al., 2016). Furthermore, it has been suggested that a more individual level of study be incorporated into the research of the internationalisation process seeing as individual decision-makers act as a core micro-foundation of the internationalisation process of firms, especially in the present digital world, and have considerably affected the international outcomes of firms (Coviello et al., 2017).

It is well known that IE is considered to be the intersection of international business and entrepreneurship (McDougall and Oviatt, 2000). IE has been defined and conceptualised several ways .For example, it was acknowledged that IE focuses on international new ventures (INVs), born-globals (BGs) and the internationalisation of SMEs (authors); it was also suggested that the age and size of firms are insignificant and that they included corporate entrepreneurship; and, finally, more recently definition emphasises opportunity recognition (Keupp and Gassmann, 2009; McDougall and Oviatt, 2000; Oviatt and McDougall, 2005; Servantie et la., 2016). This study focuses on the internationalised SMEs that follow two main patterns of internationalisation including BGs and mMNEs. There are various criteria used by different scholar for BGs (Baronchelli and Cassia's, 2014; Coviello, 2015; Knight, 1996; Rialp et al. 2005; Romanello and chiarvesio, 2019). For example, the widely recognised criteria for BGs are: firms that have achieved early export sales (Coviello, 2015), internationalised within 3 years after inception, and have at least 25% international sales to total sales (Knight, 1996; Knight and Liesch, 2016). However, Knight and Liesch (2016) also pointed out that the criteria can be arbitrary in reality, for example the criteria of international ratio (international sales to total sales) may differ in different countries' contexts. Furthermore, the BGs literature includes a special type of BGs which is the born-again-globals, it refers to firms that have established in the domestic market first then conducted rapid internationalisation later on (Bell et al.,

2001; Zander et al., 2015). Thus this study focuses on the internationalisation speed of BGs, adopting the commonly used criteria: firms that internationalise (with export sales) within 3 year after founding (Cavusgil and Knight, 2015; Knight, 1996; Knight and Liesch, 2016), and enter multiple countries (Knight and Cavusgil, 2004). Firms that focus on domestic market first then started rapidly expanding aboard after three years are categorised as born-again-globals in this study.

The IE literature has extensively studied the speed of internationalisation among firms (Zhou and Wu, 2014; Tan and Mathews, 2015; Knight and Liesch, 2016). Speed is indeed key for resource limited SMEs as it involves sophisticated decision-making about when/how to expand internationally and allocate resources for particular activities (Chetty et al., 2014). However, it is a complex concept with multiple dimensions (Chetty et al., 2014; Hilmersson and Johanson, 2015; Hsieh et al., 2019). One of the most important dimensions is the speed of first foreign market entry, which is the earliness of internationalisation. Although numerous researchers have widely studied the earliness of internationalisation (Acedo and Jones, 2007; Kiss and Danis, 2008; Vanninen et al., 2017), relatively little attention has been paid to other dimensions of speed, especially the speed of geographical expansion (Hsieh et al., 2019; Oviatt and McDougall, 2005; Zhou and Wu, 2014). This study refers to speed in terms of the earliness of firms' first international market entry and the number of geographic markets that firms averagely enter per year.

Apart from the speed, the current subject area requires more studies on firms' foreign market entry mode (Bruneel and De Cock, 2016; Calia and Ferrante, 2013; Schwens et al., 2018). Firms can pursue various market-entry modes, including direct and indirect exporting, licensing, franchising, and different forms of foreign direct investment (FDI), such as joint ventures, etc). With reference to SMES, studies have highlighted that micro-multinational enterprises (mMNEs), can adopt high-commitment foreign market entry modes besides exports, such as international subsidiaries, joint ventures, and strategic alliances (Dimitratos et al, 2003; Stoian et al., 2018; Vanninen et al., 2017). In consideration of the present technologies which are influencing the international patterns and entry modes of firms, researchers suggest that studies must follow the evolving phenomena (Cavusgil and Knight, 2015; Laufs and Schwens, 2014). Although numerous studies focus on export success, limited attention is paid to other modes, including subsidiaries and alliances with

international partners (Brouthers et al., 2009; Grandinetti and Mason, 2012). Furthermore, the existing literature reveals an inconsistency in defining the entry mode of firms which provide services. For example, that node is defined as a 'service export,' which tends to deem knowledge work as a commodity (Ekeledo and Sivakumar, 2004; Javalgi et al., 2004; Manning, 2013), or 'licensing' of services, especially for firms that produce virtual services, such as IT and software (Ojala et al., 2018; Wentrup, 2016).

Moreover, some traditional modes and measures for the export process might not suitably depict the internationalisation of i-business firms (such as websites or firms which provide digital products) in the present digital world (Chen et al, 2019). The selection of entry modes varies across different sectors and product types. The existing literature on this issue, however, is limited (Bruneel and De Cock, 2016; Calia and Ferrante, 2013). For instance, firms may select a particular process or combine different patterns which are complementary to each other (Calia and Ferrante, 2013). Furthermore, the extant literature requires more regional studies on emerging markets, especially in the Chinese context (Ahlstrom et al, 2010; Deng, 2012; Lin et al., 2016; Terjesen et al., 2016). In order to understand this phenomenon and enrich the IE field by providing evidence from the emerging market setting it is important to focus on the internationalisation of the new entrepreneurial firms and SMEs in the Chinese context. Thus, this study aims to investigate how the internal resources and capabilities, along with external resources acquired through networks, influence the international patterns and entry modes of Chinese SMEs.

2.2.2 Resource-Based-View (RBV)

The distinct bundles of resources and capabilities of firms are crucial for implementing their strategic behaviours (Tan and Mathews, 2015; Wernerfelt, 1984). Specifically, organisational resources are important for implementing firms' strategies, enhancing their effectiveness and efficiency, and for achieving a competitive advantage in international markets (Collis, 1991; Porter 1991; Knight, 2001; Schwens et al., 2018). Resources have been defined by Penrose (1959) as 'a collection of physical and human resources' with emphasis on the heterogeneity of resources. They broadly include assets, such as the processes of organisations and knowledge, etc. (Barney, 1991). Additionally, resources can be divided into those which are tangible, such as physical capital items and equipment, and those which are intangible, such as

competence and knowledge (Lockett, 2005; Davcik and Sharma, 2016). In contrast with physical resources, some intangible resources, such as knowledge, are not limited to a certain extent of usage, which are more likely to be exhausted (Lockett, 2009; Radulovich et al., 2018).

It is difficult to separate the historical development of RBV from the field of strategic management (Barney, 1986; Barney and Hesterly; 2006; Rumelt, 1984; Wernerfelt, 1984) as the resources and capabilities of a firm can determine the formation and implementation of its strategies. This view was originally derived from economics as a complementary approach to the Structure Conduct Performance (SCP)-based model. This emphasises the internal nature of resources and capabilities and is based on two basic assumptions: the heterogeneity (differences across firms) and immobility (the differences can be sustained) of resources and capabilities (Barney and Hesterly; 2006). While various existing studies tend to combine the approaches adopted by Penrose and Barney, there are central differences between them (Nason and Wiklund, 2018). For instance, resources are identified with different characteristics by the two authors. Barney's RBV focuses on the value, rareness, inimitability, and sustainability (VRIN) or resources, while Penrose's theory suggests that the versatility and flexibility of resources support firms to recombine their resources in unique ways in order to achieve their desired outcome (Barney, 1991; Nason and Wiklund, 2018; Penrose, 1959). Versatile resources can be deployed by managers for different purpose and applications and offer a variety of services that enhance firms' possibilities of combing resources in distinct ways (Nason and Wiklund, 2018; Penrose, 1959).

Barney's (1991) VRIN framework is directly associated with the sustained competitive advantage of firms, which is an important source of superior performance. A firm is considered to have a competitive advantage if it implements a value adding strategy that its competitors are not currently implementing and are thus unable to reap the benefits of, while a sustained competitive advantage is one that can endure over time (Barney 1991; Barney and Hesterly; 2006; Porter, 1985). Notably, the "casual ambiguity" of resources has also been identified by researchers. This happens when there is insufficient understanding of which resources link to a firm's competitive advantage, which increase the cost of imitating this for its competitors (Barney and Hesterly; 2006; Reed and DeFillippi, 1990).

Instead of addressing the characteristics of VRIN, some researchers have indicated that the fungibility of resources can be interchangeable within an organisation or across different organisations (Russo, 1991; Nason and Wiklund, 2018). Furthermore, the conventional RBV has been criticised by Kraaijenbrink et al. (2010), who argue that it has certain limitations, including the lack of managerial implications, applicability, achievability of a sustained competitive advantage, and the propriety of being a theory of the firm. They argue that further studies can bring subjectivity and a social influence mechanism to the theorisation of the value of resources.

The capability perspective is an extension of RBV, which suggests that the value creation of firms is not only facilitated by resources, but also by capabilities (Grant, 1996). The capabilities which principally derive from the internal resources of firms concern the ability of deploying a particular set of resources in order to achieve their desired outcomes (Falahat et al., 2018; Grant, 1991: Makadok, 2001). On the other hand, it has been discussed that resources are not sufficient by themselves, especially when firms operate in internet-based markets (Cavusgil and Knight, 2015; Glavas et al., 2017). Therefore, capability building is required in order to exploit the opportunities of changing environments (Bianchi and Mathews 2016; Teece et al., 1997; Sirmon et al., 2007).

One of the prominent theories embedded in the capability perspective is that of dynamic capabilities, which addresses firms' ability to adapt, integrate, and reconfigure various resources in response to a changing environment (Acosta et al., 2018; Teece et al., 1997; Teece, 2007; Wang et al., 2007). Research has also shown that dynamic capabilities are helpful for research on BGs, highlighting shared innovative and entrepreneurial features such as sensing and seizing opportunities (Cavusgil and Knight, 2015; Weerawardena et al., 2007). According to the extant literature, dynamic capabilities serve a number of core purposes: the achievement of long-term performance, competitive advantages, and sustaining advantages (Acosta et al., 2018; Teece, 2007; Wang et al., 2007; Weerawardena et al., 2007; Zeng and Glaister, 2016). They also incorporate evolution and learning, which emphasises the process and accumulated patterns of routines over a particular historical period (Vahlne and Johanson, 2017; Teece, 2007; Wang et al., 2007; Weerawardena et al., 2007).

Although Teece et al. (1997) introduced the dynamic capability perspective, which highlights sustained advantage and long-term outcomes, this study does not focus on studying the capability of reconfiguring the resources to address environmental changes, but rather the configuration of resources and firm specific capabilities as catalyst of firms' international expansion. The purpose of this study is neither to investigate the economic performance of firms' internationalisation, nor firms' competitive advantages building. In addition, this study does not intend to connect to the internationalisation process theory. Thus, the researcher chose not to address the dynamic features of the capabilities, but rather the capabilities as antecedents of managers' decisions to follow certain path of internationalisation. Some researchers propose that RBV is not suitable for studying entrepreneurial firms seeing as new ventures usually struggle to build their capabilities (Sapienza et al., 2006). Others have argued, however, that RBV offers a valuable theoretical background for the purpose of investigating the success of entrepreneurial firms and that that development of capabilities in this context requires further investigation (Flatten et al., 2015).

Furthermore, the resources offer the foundation for developing capabilities and capabilities enable firms to coordinate and exploit resources in order to deliver value (Hernández-Carrión et al., 2017; Sirmon et al., 2007). Even though RBV recognises that resources on their own are not able to build the competitiveness of firms, a few studies have investigated the combined influences of resources and capabilities on firms' outcomes (Gunasekaran et al., 2017; Ravichandran et al., 2005). In fact, entrepreneurs can play an important role in capability development, resources acquisition, deployment, and composition (Chadwick et al., 2015; Grewal and Slotegraaf, 2007). Similarly, the existing literature has indicated that capabilities appear to be more attractive than resources, while both of them have played significant roles in the international success of firms. Specifically, extensive research is required in order to examine the link between the resources and capabilities of firms and the patterns of their internationalisation (Baum et al., 2015; Lu et al., 2010; Tuppura et al., 2008). This study investigates the importance of resources and capabilities when combined to achieve firm internationalisation.

SMEs commonly suffer from a dearth of resources and face more challenges in their international operations compared to large companies. Small firms can overcome this limitation by means of leveraging a specific mix of resources and capabilities (Knight,

2001; Knight and Cavusgil, 2004; Mathews et al., 2016). Recent studies suggest the necessity of contextualisation (such as organisational context, industry context, and market context) on RBV, especially in the entrepreneurship research (Kellermanns et al., 2016; Siqueira and Bruton, 2010). The current RBV studies have received limited attention with relation to the context of SMEs and new business ventures (Kellermanns et al., 2016), not to mention the industrial context in general (Child et al., 2017). On the other hand, entrepreneurs' cognitive and subjective understanding of the resources and capabilities of their firms have been found to be significant (Vesalainen and Hakala, 2014), whereas few studies have focused on the entrepreneurs' perception of resources (Kellermanns et al., 2016). In other words, there is a necessity for an extensive analysis which will be based on the perspective of entrepreneurs/managers since they are the ones who create value for their firms by utilising their resources in particular ways (Kellermanns et al., 2016; Shane and Venkataraman, 2000; Yan et al., 2018). In order to fill this gap, this study is contextualised in terms of SMEs and young firms from different industrial sectors, with emphasis on entrepreneurs'/managers' subjective understanding of their respective businesses' resources and capabilities in terms of pursuing their firms' success.

Although the conventional view of RBV focuses on the internal resources and capabilities of firms, several studies have focused on the external resources of firms, such as the support of government and universities, interorganisational relationships, and industrial networks (Boermans and Roelfsema, 2016; Ruzzier et al., 2006; Steinle and Schiele, 2008; Symeonidou et al., 2017). Those studies have principally investigated external resources from an institutional or network perspective. Recent studies have identified the value of resources which are not controlled by the firm itself, but which derive from a public domain, such as social media (Gao et al., 2018; Luo and Bu 2018). However, few studies have established the nature of external resources. For example, Ruzzier et al. (2006) has claimed that internal and external resources can be adjusted or developed, and that adjustment behaviour can be classified into four facets: firstly, that resources can be developed independently within firms; secondly, that external resources may rest in the development of the internal resources of firms, such as their relationships with external stakeholders; thirdly, firms can develop resources by means of collaborating with external actors for the purpose

of benefitting both parties; and finally, firms can claim ownership of other organisations' resources (for example, by means of merger or joint venture).

The existing literature has examined the different mechanisms which exist between the internal and external resources of firms. It has been claimed that the role of the resources can be interactive, complementary, or substitutive (Deng and Zhang, 2018; Kellermanns et al., 2016; Shaheer and Li, 2018; Vendrell-Herrero et al., 2017). For example, entrepreneurs'/managers' network resources can be considered as substitutive for formal institutional resources when firms are facing poor institutional environments (Cahen et al., 2016; Deng and Zhang, 2018). Furthermore, external resources can be complementary for the internal resources of firms, although firms may fail to take advantage of such an interchange (Xu et al., 2013). On the other hand, the effect of resources may change depending on the context; for example, demand-side resources (i.e. customers/users) may complement or substitute the resources of entrepreneurs in terms of digital ventures (Shaheer and Li, 2018; Ye et al., 2012). Similarly, it has been suggested that network resources with external actors may be able to complement or substitute existing resource-based firms (Kellermanns et al., 2016). Moreover, numerous studies have investigated the role of both internal and external resources in the context of the firms' internationalisation (Cavusgil and Knight, 2015; Oviatt and McDougall, 2005; Laantia et al., 2007). A limited number of studies, however, have investigated the influence of public policy on the international expansion of SMEs and new ventures (Cavusgil and Knight, 2015; Wright et al., 2007). More recently, studies which were conducted in the Chinese market have discovered that government policy and incentives can provide external resource availability for entrepreneurial firms, as well as be able to affect the international behaviour and entrepreneurial intention of firms (Elston and Weidinger, 2018; He et al., 2018). The existing literature, however, has indicated that the internationalisation of firms is the outcome of the interaction between the external macro environment and firm-level resources (Deng and Zhang, 2018).

Apart from the interactions between resources, scholars have also identified the interplay between resources and capabilities (Kor and Mesko, 2013; Lu et al., 2010; Parida and Örtqvist, 2015; Vesalainen and Hakala, 2014; Wales et al., 2013; Yang et al., 2018). For example, Parida and Örtqvist (2015) studied the interaction between the network and ICT capability of firms which contribute to the outcome of firm

innovation. Parida and Örtqvist have suggested that more studies are required in order to address the complementary effect of different capabilities. Furthermore, other researchers have suggested that capabilities can be combined in order to enhance the success of firms; for example, network capability can complement the technological and substitute customer-related capabilities of firms and can, in turn, be employed in the configuration process of other capabilities (Yang et al., 2018). In other words, network capability can contribute to the composition of capabilities and enhance the development of other capabilities or resources (Vesalainen and Hakala, 2014). Based on the RBV view, the entrepreneurs/managers of firms can play an important role in the conjunction of resources and the development of capabilities (Gunasekaran et al., 2017).

Nevertheless, there is limited knowledge about the three ways of interaction which exists between firms' internal resources, capabilities, and external resources. This three ways of interaction include: firstly, the interaction between the internal resources and capabilities of firms; secondly, the role of the resources and capabilities of firms in accessing and acquiring external resources; and thirdly, the way the external resources contribute to the development of the international resources and capabilities of firms. Meanwhile, since RBV considers resources and capabilities as inherent components of firms, the current classification of external resources lacks conformance. This study incorporates the capability perspective and provides a more holistic view of the interactions among different resources and capabilities, both internal and external. Based on the characteristics of resources identified by Penrose, Nason and Wiklund (2018) have further addressed her view by means of emphasising the versatility and fungibility of resources. In the same vein, this study highlights the interchange of internal and external resources. While numerous existing studies have investigated the role of external resources in light of theories about institutions and networks (Boermans and Roelfsema, 2016; Fischer and Reuber, 2003; Ruzzier et al., 2006), this study considers external resources as a component of firms' configuration of resources based on the original theory of Penrose. Additionally, this study credits the external resources as important bundles of resources for firms that must be acquired or exploited instead of viewing them as institutional factors or network benefits.

Various scholars have been employing RBV for studying different firm outcomes; for example, Barney's (1991) approach focuses on examining the advantages and efficiency of the related outcomes, whilst Penrose's (1959) approach is directed on growth. This study, however, emphasises entrepreneurs'/managers' perceived importance of resources in the international expansion of firms by means of using speed and modes (which are considered as non-profit based constructs) in order to represent the outcomes of firms' internationalisation. This responds to the calls for more studies that address the managers' perception of resources and capabilities (Kellermanns et al., 2016; Vesalainen and Hakala, 2014; Yan et al., 2018). Although RBV is principally adopted for studying performance outcomes, such as firm growth and competitive advantages, some researchers incorporate the capability perspectives in order to study non-performance outcomes, such as internationalisation patterns (Baum et al., 2015; Cavusgil and Knight, 2015; Kriz and Welch, 2018). Therefore, this study combines RBV with the capability perspective in order to study the outcomes (speed and mode) of the international expansion of firms.

2.3 Internal Resources and Capabilities

The RBV has primarily focused on the internal resources and capabilities of firms, and has provided an approach which is an internally-driven, rather than an externally-driven, approach for the strategies and outcomes of firms (Barney, 1991; Dubey et al., 2019; Gerschewski et al., 2015; Kull et al., 2016). Thereby, the existing literature has paid major attention to internal resources, including tangible resources, such as current assets and equipment, human resources, and intangible resources, such as know-how, reputation, and capabilities (Hunt and Morgan, 1995; Kull et al., 2016). In this section, this study highlights three important internal resources and capabilities that significantly drive SMEs' internationalisation, including human capital, innovation capability, and network capability.

2.3.1 Human Capital

The extant literature has revealed that the human capital as an internal resource is crucial for the internationalisation of SMEs (Barney, 1991; Javalgi and Todd, 2011; Onkelinx et al., 2016; Ruzzier et al., 2007; Zhao and Thompson, 2019). Human capital resources comprise the trainings, experiences, judgement, intelligence, relationships, and insights of the managers and employees of a firm (Barney, 1991). Considering that human capital is the stock of various intangible resources, it contributes to the internationalisation of firms by means of combining aptitude, talent, and experiences (Fletcher, 2004; Subramony et al., 2018). Entrepreneurs are considered as key resources for SMEs because they are responsible for the decision-making process, for setting goals, and delegating tasks. In addition, the entrepreneurs' characteristics, such as their professional background, are closely associated with the internationalisation of their firms (Manolova et al., 2002; Ruzzier et al., 2007; Wadhwa et al., 2017). Furthermore, aside from the background of entrepreneurs, such as their education, experiences, and knowledge, it is suggested that their personality traits, such as their level of core self-evaluations, are also significant for the internationalisation process. As a result, further attention is required in order to examine the relationship between the personality traits of the entrepreneurs and the motives, behaviour and outcome of internationalisation of firms (Prashantham and Floyd, 2019).

Nevertheless, due to China's unique cultural and institutional environment, there is confined understanding of the influence of mangers'/entrepreneurs' cognitive characteristics on the internationalisation of firms, particularly for SMEs as their internationalisation is more likely to be determined by individuals (Yan et al., 2018). Furthermore, there is lack of consensus on the entrepreneurial human capital in the Chinese context; for example, Liu et al. (2008) suggested that Chinese entrepreneurs have limited education levels and capabilities of assessing international markets, while Yan et al. (2018) discovered that the Chinese entrepreneurs have a high level of education. For this reason, this study considers the Chinese context to be worth studying when investigating the influence of the entrepreneurs' characteristics, and explores the influence of entrepreneurs'/managers' human capital on the international behaviour of firms.

2.3.1.1 Educational Background

Existing studies have indicated the importance of entrepreneurs' education on the internationalisation of firms and the success of new ventures (Gimeno et al., 1997; Nummela et al., 2004; Symeonidou et al., 2017). Furthermore, the entrepreneurs' level of education can influence other firm-level resources and capabilities such as; innovation capability, global mindset, and knowledge (Mellett et al., 2018; Khan and Altaf, 2015; Lin and Liu 2012; Paul et al., 2017; Yan et al., 2018). It is discovered that the level of entrepreneurs'/managers' education is associated with the degree (international sales to total sales) and scope (markets of entry) of internationalisation, although it is studied jointly with the entrepreneurs' international experience which includes study or work experiences abroad (Cannone and Ughetto, 2014; Javalgi and Todd, 2011). The entrepreneurs who have studied or worked abroad are identified as 'returnee entrepreneurs', especially in the Chinese context where the returnee entrepreneurs can present strong international orientation which can contribute to SMEs' international success (Filatotchev et al., 2009; Liu et al., 2015; Paul et al., 2017). Furthermore, the international experiences of returnee entrepreneurs can generate knowledge and international networking, which reduces the disadvantageous labelling of a new and foreign firm in the market (Filatotchev et al., 2009). The international experiences of entrepreneurs can also enable social networks and, thus, affect their perceived importance and possibility of international expansion (Johanson and Vahlne, 2009; Yamakawa et al., 2013). Moreover, the level of education is believed that contributes to the entrepreneurs'/managers' global mindset and reduces psychic distance in both post-founding and pre-founding stages, which can affect the level of internationalisation as well as the export commitment of firms (Evald et al., 2011; Paul et al., 2017; Yan et al., 2018).

While various studies have suggested that entrepreneurs' education background can affect the scope of firms and their level of internationalisation (Cannone and Ughetto, 2014; Evald et al., 2011; Javalgi and Todd, 2011), limited evidence exists in regards to the entrepreneurs' education background being associated with the speed and earliness of their firms' internationalisation. The education background, however, may enhance entrepreneurs'/managers' knowledge of foreign markets, such as language and culture, or their international entrepreneurial orientation which, as a result, may lead to a prompt international expansion (Acedo and Jones, 2007; Cannone and Ughetto, 2014). Likewise, existing studies have highlighted that the firms' innovation

capability and ability of networks utilisation can be affected by the entrepreneurs' educational background, which contributes to the development of the international competitiveness of their SMEs (Kelliher and Harrington, 2018; Zhang and Hartley, 2018).

2.3.1.2 Industry experience

Although it is suggested that entrepreneurs/managers are considered the centre of their firms and their human capital is associated with the achievement of their international growth (Demir et al., 2017), the effect of entrepreneurs'/founders' industry experiences receives relatively limited attention (D'Angelo and Presutti, 2019; Odorici and Presutti, 2013). The industry-specific know-how, which is an important element of human capital can be accumulated through the industry experience of the entrepreneurs (Westhead et al., 2001). Entrepreneurs/mangers can acquire knowledge of the overall market and industry from their previous international experiences and by their interaction with customers, partners, and competitors, which can lead to their entrepreneurial opportunity recognition (Baron, 2007; Voudouris et al., 2011). Furthermore, the industry knowledge of entrepreneurs can enable their industry networks and ability of acquiring resources which may lead to their internationalisation (Pellegrino and McNaughton, 2017). While entrepreneurial orientation is considered to be important for the firms' international growth, the industry experience of entrepreneurs can enhance this relationship (D'Angelo and Presutti, 2019). It was argued by Ughetto (2016), however, that the entrepreneurial experiences can facilitate early internationalisation by means of opportunity seizing rather than their previous work experience in the same industry. The entrepreneurs' international work experience can result in gaining foreign market knowledge, and, thus, enable earliness and degree of their internationalisation (Cannone and Ughetto, 2014).

2.3.1.3 Entrepreneurs' Networks

Existing studies have discussed the role of networks widely, especially the networks of entrepreneurs in firms' internationalisation (Bembom and Schwens, 2018; Chang and Webster, 2018; Musteen et al., 2010; Gerschewski et al., 2015; Zucchella et al., 2007). The types of networks have been categorised variously by researchers; for example Musteen et al. (2010) studied personal networks (such as family, friends, and

other non-industry networks), and professional networks (such as suppliers, customers, and other industry-related networks), while Hernández-Carrión et al. (2017) suggested four types of networks which include personal, professional, associational, and institutional networks. More recently, Chang and Webster (2018) proposed that business networks include three sub-networks which are; government, industry, and professional networks.

Building on the previous research, this study categorise entrepreneurs' networks into two main groups: personal networks (including family members, friends, alumni, and tutors etc.), and business networks (including suppliers, business partners, government institutions, and competitors etc.). Previous studies discovered that networks assist firms in overcoming a resources limitation, acquiring knowledge of foreign marketing, and achieving an early entry in the foreign market (Coviello and Munro, 1995; Coviello and Cox, 2006; Lu et al., 2010; Bembom and Schwens, 2018). Entrepreneurs' social networks are vital for the pre-founding and the post-founding stage of their firms' internationalisation through opportunity exploration and exploitation (Evald et al., 2011). In the same vein, Musteen et al. (2010) revealed that the international networks of entrepreneurs can facilitate an expeditious internationalisation. Furthermore, it is suggested that the personal and business networks of entrepreneurs can affect their selection of foreign market entry modes (Evers and O'Gorman, 2011). In their post-entry phase, network members can motivate firms to achieve modes with a high degree of commitment (Zain and Ng, 2006; Bembom and Schwens, 2018).

Nonetheless, it is also indicated by Gerschewski et al. (2015) that the prior networks of entrepreneurs before the founding of their ventures may not necessarily contribute to their international success. Additionally, firms may face challenges of accessing networks, for example the government agencies can be bureaucratic and hard to approach (Loane and Bell, 2006). Furthermore, the effect of networks may be contingent since it depends on the external environment, the individual and organisational behaviour (Galaskiewicz and Zaheer, 1999). It is worth to mention that not all kinds of networks are equally beneficial, considering that the same network may work differently in various situations (Hernández-Carrión et al., 2017).

2.3.1.4 International Entrepreneurial Orientation

The elements of entrepreneurial orientation (EO), which have been defined by researchers, include three significant constructs; proactiveness, innovativeness, and risk taking (Covin and Slevin, 1989; Knight, 2001; Miller, 1983; Reuber et al., 2018). Some researchers, however, have suggested that there are more characteristics which are also significant, such as autonomy, and competitive aggressiveness those apply to the early stage of entering new markets (Lumpkin and Dess 1996). Small firms which present entrepreneurial orientation and have the appropriate antecedent characteristics, are more possible to internationalise when facing a challenging domestic operating environment (Ibeh, 2003). International entrepreneurial orientation (IEO) is considered by several researchers as a sub-category of EO which depicts the three main constructs with an international approach (Covin and Miller, 2013; George and Marino, 2011). Furthermore, Freeman and Cavusgil (2007) have highlighted the global orientation of IEO. Additionally, IEO is strongly associated with the individual personality traits of the business owners, such as their global mindset (Kollmann and Christofor, 2014; Nummela et al., 2004). Rather than simply viewing "international" as a context of EO, scholars highlight that IEO adds an additional element to EO which is the "international focus" or "global orientation" (Covin and Miller, 2014; Freeman and Cavusgil, 2007), it is referred in this study as "international orientation". Following the existing literature, this study views IEO as a combination of four constructs including international orientation, innovativeness, proactivness, and risk-taking; with awareness of each construct may have different or independent effect on firms' activities (Hansen et al., 2011; Covin and Miller, 2014).

IEO plays an important role in SMEs' international success (Knight, 2001; Kuivalainen et al., 2007; Reuber et al., 2018); it affects the way firms are managed and are lead to their development in foreign markets (Jantunen et al., 2005; Sundqvist et al., 2012; Wiklund and Shepherd, 2003). According to the market 'push-and-pull' theory, the low performance international market orientation demonstrates the 'push' from entrepreneurs who rely on their strategic decisions when entering a foreign market rather than the 'pull' which derives from unsolicited orders (Kollmann and Christofor, 2014). The majority of studies have focused on the influence of IEO on the international sales and development of firms (Deligianni et al., 2016; Kreiser et al., 2013; Zhou et al., 2010), however, limited attention has been paid to the speed and mode of the foreign market entry. The role of IEO is important since it indirectly

improves the speed of internationalisation for SMEs; various researchers have agreed that this can be accomplished through the acquisition of knowledge about foreign market (Covin and Miller, 2013; Zhou, 2007). Furthermore, Ripollés et al (2012) claimed that IEO can contribute to international market orientation, which sequentially facilitates entry modes with higher resources commitment. On the other hand, the relationship between IEO and the scope of internationalisation is bound to the context according to previous studies; for example, the three sub-dimensions of IEO can have a different effect on firms' international scope in high-tech and low-tech industries (Dai et al., 2014; Felzensztein et al., 2015; Kuivalainen et al., 2007; Lumpkin and Dess, 1996).

Moreover, existing literature has identified that entrepreneurial orientation is linked to social networking commitment and export success of SMEs (Mostafa et al., 2005; Sinkovics et al., 2013). Furthermore, it was suggested by Mostafa et al. (2006) that companies with stronger entrepreneurial orientation present a stronger commitment to social networking and, consequently, perform better in exports comparing to companies with a lower entrepreneurial orientation. Furthermore, those are more likely to exploit internet enabled opportunities, since they are able to interact with international suppliers, customers, partners, and competitors (Glavas and Mathews, 2014; Mostafa et al., 2005).

2.3.2 Innovation Capability

Innovation capability is a key determinant of a firms' success and a special asset of firms (Calantone et al., 2002; Camisón and Villar-López, 2014; Guan and Ma, 2003; Wang and Dass, 2017). According to several researchers, innovation capability refers to the ability of: a) developing and implementing new concepts, products and processes; b) responding to the unexpected technology activities and opportunities; and c) gathering information and generating the required knowledge for the creation of a new product, process, and service development (Adler and Shenhar, 1990; Calantone et al., 2002; Ngo and O'Cass, 2013; Wang and Dass, 2017; Zhang and Hartley, 2018). Furthermore, innovation capability as a significant internal resource of a firm, can be enhanced through collaboration with external actors such as research organisations, partners or competitors (Najafi-Tavani et al., 2018).

Various scholars have suggested that innovation is critical for SMEs to achieve their early internationalisation (Baum et al., 2015; Cavusgil and Knight, 2015; Hsieh et al., 2019; Knight and Liesch, 2016; Knight and Cavusgil, 2004), especially firms that adopt the BG pattern (Knight and Cavusgil, 2004; Knight and Liesch, 2016). More recently, a particular type of firm adopting 'new-to-the-world' technologies has been identified by researchers. This represents the highest level of innovation capability, although the process of commercialising technological inventions can be prolonged and uncertain (Kriz and Welch, 2018; OECD, 2005). The development of 'new-to-the-world' technology and its internationalisation may also be reciprocal and concurrent (Kriz and Welch, 2018; Reuber et al., 2018). Rapid and flexible innovation is considered an important factor for achieving international success (Teece et al., 1997). The extant literature shows that although innovation capabilities and dynamic capabilities share similar notions, there are also inconsistencies and contractions between them (Breznik and Hisrich, 2014). Some researchers argue that the essence of product innovation capability is dynamic capability as this can support the achievement of sustained competitiveness and superior performance (Sharma and Martin, 2018). Conversely, others claim that innovation capabilities mediate the relationship between dynamic capabilities and competitive advantages, and that innovation capabilities can directly influence firms' performance (Ferreira, et al., 2018). This study focuses on investigating the influence of innovation capabilities on firms' international outcomes, including the speed and mode of entry.

Innovation resources (technologies, patents, etc) can also be acquired by firms through networking with external stakeholders. Furthermore, the adoption of an open innovation strategy challenges the traditional business approach by enabling collective creativity with other organisations instead of creating barriers (Chesbrough and Appleyard, 2007). Previous studies suggest that open innovation and collaborative relationships can facilitate greater innovation and performance among SMEs (Exposito and Sanchis-Llopis, 2018; Greco et al., 2015). In addition, some researchers contend that open innovation practices can enhance the commercialisation of technologies for new ventures in high-tech sectors (Symeonidou et al., 2017). Entrepreneurs play an important role in providing networks with access to innovation resources as well as selecting and committing to innovation strategies in process of their firms' internationalisation (Hernández-Carrión et al., 2017; Hsieh et al., 2019).

Consequently, RBV suggests that firms are advised to enhance and develop innovation capabilities perceived as more valuable and harder to imitate by their competitors. Furthermore, innovation is perceived as a vital driving force enabling SMEs to attain high competitiveness in both domestic and international markets (Hsieh et al., 2019; Saunila, 2016). Some researchers have indicated that human capital is a key factor in the development of innovation capabilities (Mellet et al, 2018). Nevertheless, the contribution of managers to the innovation capabilities of their firms remains underexplored (Wang and Dass, 2017). Thus, this study explores the contribution made by entrepreneurs/managers to the relationship between innovation capability and the international success of firms.

Recent studies have divided innovation capability into technical innovation capability, which refers to the ability of developing new products, service, operations, and technologies, and non-technical capability, which concerns the ability of managerial and marketing development (Ngo and O'Cass, 2013; ; Liao et al., 2007). Nonetheless, the influence of innovation capability on the firm's success can be affected by organisational factors such as proactiveness (Zhang and Hartley, 2018). In the Chinese context, the network relationships (or Guanxi) with different stakeholders such as customers, suppliers, government etc., can amplify the innovation capability of firms and contribute to their success (Zhang and Hartley, 2018). Therefore, this study investigates in what way innovation capability technical and non-technical interacts with the internal and external resources of Chinese SMEs, and how they can affect their international expansion.

2.3.3 Network Capability

Network capability is the internal capability of a firm and has been defined as the ability to build, maintain, exploit, and coordinate network relationships in order to access resources that are owned or controlled by external actors (Kale et al., 2002; McGrath and O'Toole, 2013; O'Toole and McGrath, 2018; Walter et al., 2006). Networks can be built and developed between firms and actors such as; suppliers, customers, competitors, investors, and public institutions etc. (Birley, 1985; Coviello and Martin, 1999; Lindstrand and Hånell, 2017; Ojala, 2009; Westphal et al., 2006). Nonetheless, firms without network capability may fail to utilise their inter-organisational networks

effectively (Gulati et al., 2000; Parida et al., 2017). On the other hand, the network capability itself can be developed by the interaction of SMEs with other relevant organisations through network relationships (McGrath et al., 2018). The role of networks on the SMEs' internationalisation has been studied extensively in the recent decades and it has been considered as of great importance for overcoming the networks' resources limitation (Acosta et al., 2018; Moen and Servais 2002; Musteen et al., 2010; Oviatt and McDougall, 1994). Entrepreneurial firms often depend on their external resources to attain their objectives, because it is difficult to grow depending only on their internal resources (McGrath and O'Toole, 2013). Thus, it is vital to develop network capability, since the resource access is subject to the organisational context and entrepreneurs' perception (McGrath and O'Toole, 2013; Kale et al., 2002; O'Toole and McGrath, 2018).

Furthermore, researchers have stated that network capability can assists firms in developing other forms of capabilities, thus it is recommended to be studied jointly with other internal factors in order to understand the way the success of a firm can be achieved (Vesalainen and Hakala, 2014; Yang et al., 2018). For example, network capability may complement the technological capabilities of a firm and replace customer capability (Yang et al., 2018). Nevertheless, Vesalainen and Hakala (2014) argued that network capability is essential in forming customer capabilities. Various researchers have claimed that network capability can enhance innovation for firms through collaborative networks with external stakeholders (Parida and Örtqvist, 2015; Parida et al., 2017; Vesalainen and Hakala, 2014). Although, researchers have revealed that the guanxi network is essential for developing innovation capability in Chinese firms, this relationship is only significant when firms act proactively (Zhang and Hartley, 2018). Moreover, the collaborative innovation networks only improve the innovation capability of firms when their managers possess the ability of exploiting external resources (Najafi-Tavani et al., 2018). The process of becoming a part of a network is not sufficient by itself in order to enhance the innovation capability of a firm; it is necessary to possess network capability in order to take advantage of the network involvement (Mellet et al, 2018). Some scholars have considered network capabilities as personal attributes, directly associated with the human capital which is considered as an internal resource of a firm (Vesalainen and Hakala, 2014). For this reason, this study explores in what way the network capability enables firms to utilise their

interorganisational relationships, assists firms in developing other resources and capabilities, and how network capability itself can be complemented by other resources and capabilities. This study, considering the support of external stakeholders on the international operation of firms, such as the government's assistance, as an important institutional element, it has focused on the context of China because of its unique institutional and cultural background (Yan et al., 2018).

2.4 External Resources and Enablers for SME Internationalisation

According to the study of network capability, apart from the internal resources and capabilities of SMEs, there are accessible resources controlled or owned by their external stakeholders (Coviello, 2006; Gerschewski et al., 2015). In this section, this study highlights the role of the government, the universities, and the digital platform companies as key enablers for the resources of Chinese SMEs.

2.4.1 Government Support

Institutional support affects the strategy-making process of companies, in regulative and normative ways (Scott, 1995). Institutions are significant in emerging markets, because the government and other social organisations appear to have a stronger impact on their marketing activities compared to developed countries (Hoskisson et al., 2000). Due to economic transition, China holds a dynamic institutional environment which encourages entrepreneurial activity. It is noteworthy that private enterprises in China were considered legitimate since 1988 (He et al., 2018). The changes of government policies in the recent decades have dramatically influenced international business and entrepreneurship in China (Child and Tse, 2001; He et al., 2018; Yan et al., 2018). Furthermore, the government can play a significant role in innovation; it has been revealed that the governments of the most successful economies have contributed substantially on motivating their breakthrough innovation and new applications development (Mazzucato, 2011). Thus far, the Chinese government has

taken remarkable initiatives in order to encourage the internationalisation and entrepreneurship of companies, such as; ’opening-up’, ‘Seize the big and free the small’, ’One belt one road’, and ’Mass innovation and entrepreneurship’ strategies or policies. Those initiatives brought regulation support, as well as financial and entrepreneurial resources (He et al., 2018; He et al., 2016; Huang, 2016; Xing et al., 2018). Surprisingly, in the Chinese context, it has been concluded that the relationship between the government and SMEs does not have a strong impact on their innovation outcome. Nevertheless, the government policies affect significantly the relationships between firms and their external innovation resources providers, such as universities (Zeng et al., 2010). Therefore, this study investigates the perceived benefits of the government support for SME innovations from a managerial perspective; via the way the entrepreneurial individuals exploit the government resources in order to achieve international success.

2.4.2 Universities

Universities can be an external provider of technological knowledge for SMEs (Xiao and Ramsden, 2016). While many firms may underrate university engagement, the collaboration of SMEs with universities can facilitate knowledge acquisition, which is of great importance (Cosh and Hughes, 2010; Dada and Fogg, 2016). Although it is claimed that the collaboration between industry and university has been practiced considerably, there are differences across industries (Perkmann and Walsh, 2007). A close relationship between university- and industry can catalyse a new advance innovation as well as improve the innovation outcome (Belderbos et al. 2004; Lasagni, 2012). Some researchers, however, have proposed that this relationship is unwieldy and may cause limited influence on enhancing the competitiveness of a firm (Pavitt, 2005; Vega-Jurado et al., 2008). In the Chinese context, a research reveals that universities play an important role in technology diffusion and development in the entrepreneurial environment (Kshetri, 2017). In China, most of the higher education institutions have been founded by the government; their initial and main obligation was teaching and fundamental research (Wu, 2007; Zeng et al., 2010). Nevertheless, since economic reforms were implemented in China, the country has moved towards

facilitating linkage between universities and industry, encouraging the research role in education for commercial potential (Wang and Vallance, 2015; Wu, 2007).

It has been revealed that the collaboration of firms with universities has a limited effect on their innovation, compared to their collaboration with other companies or other intermediary institutions (Zeng et al., 2010). Nevertheless, firms who provide particular or sophisticated products which require high levels of technology specialisation, are more likely to conduct a relationship with universities and research institutions in order to exchange required knowledge (Wang et al., 2018). The interactions among university, government and industry can generate a flow of knowledge and support of regional innovation and development; it is necessary, however, to build motivation between the parties in order to facilitate the transfer of knowledge (Liu and Huang, 2018). Furthermore, some studies indicated that SMEs do not interact with universities and technology/research institutions (Cooke et al., 2000; Zeng et al., 2010). Thus, China as a developing economy must improve the engagement of universities in innovation process and their engagement in regional development (Liu and Huang, 2018). Therefore, this study intends to determine the role of universities at present, and their role in the domestic and international development of Chinese SMEs.

2.4.3 Digital Platforms and Internet

Electronic interconnectedness is boosting the emergence of a global economy without borders; information technology and internet enables changes to occur in the IB landscape (Knight and Cavusgil, 2004; Tran et al., 2016). Internet provides and enhances the intangible resources which are significant for firms, and also assists in decreasing the 'liability of foreignness' by efficiently accessing information and knowledge in international markets (Mathews et al., 2016). Involvement of firms on the information and social technology, assists in engaging customers' choice and benefiting a new product introduction. Furthermore, it diversifies the firms' network and their international user base (Coviello and Liesch, 2017; Jean and Kim, 2019; Kotha et al., 2001). In addition, it has been suggested by Nikolaeva (2005) that website traffic plays a vital role in online retailing, because it promotes the network capability of firms, attracts the attention of consumers, and facilitates future sales. The continual flow of website traffic to a website and the loyalty of visitors are both significant for

generating commercial value for online communities (Wu et al., 2010). Although internet enhances accessible resources for firms, the entrepreneurs/managers are the ones who discover and exploit opportunities (Mathews et al., 2015; Nambisan, 2017).

2.4.3.1 Antecedents of Internet Adoption

Multiple factors influence the decision of adopting internet-based strategies and activities. Those factors can be divided into two main dimensions, internal and external. The existing literature reveals that the internal determinants of the internet adoption by companies, include both individual-level characteristics, such as the age, education, relevant work experience, and entrepreneurial orientation of an entrepreneur (Bengtsson et al., 2008; Colombo and Delmastro, 2001; Fillis and Wagner, 2005; Ramsey and Ibbotson, 2006; Sigfusson and Chetty, 2013; Odoom et al., 2017) and organisational-level characteristics such as the size and sector of the firm (Dholakia and Kshetri, 2004; Fillis and Wagner, 2005; Hamad et al., 2015; Piscitello and Sgobbi, 2004). It has been be observed, however, that most studies have focused on the individual characteristics rather than the organisational-related ones. Most factors except; age, education, perceived barriers, and customer market segment scope and uniformity, district, and past media use, influence the internet adoption by firms in a positive manner (Colombo and Delmastro, 2001; Fillis and Wagner, 2005; Gabrielsson, 2005; Ramayah et al., 2016). Several studies have discussed the factors that have a negative effect on the internet adoption by firms; such as the perceived barriers, uncertainty, or complexity (Fillis and Wagner, 2005; Kaynak et al., 2005; Siamagka et al., 2015; Yeoh, 2000).

The studies of Colombo and Delmastro (2001) have focused on the internet adoption for different technology-based entrepreneurs and have identified the difference in the characteristics of entrepreneurs across sectors; they revealed that age, education, ICT education, spin-off, and previous work experience of entrepreneurs could positively or negatively relate to the new technology-based firms depending on their sector. More recently, it was identified by Yu et al. (2016) that the entrepreneurial orientation of entrepreneurs may enhance the level of internet adoption. Furthermore, the perceived benefits of entrepreneurs/managers can be an important indicator for e-commerce adoption in firms (Vladimirov, 2015). On the other hand, the firms' past media use does

not have a significant influence on internet adoption (Dholakia and Kshetri, 2004). In regards to the customer market segmentation and uniformity, existing literature indicated that firms which focus on business-to-customers (B2C) distribution are more likely to adopt multiple marketing channels, especially online channels, compared to business-to-business (B2B) firms. Therefore, it is important for B2C firms to be studied separately (Gabrielsson, 2005; Yang and Gabrielsson, 2018). Moreover, scholars have observed that a higher degree of product standardisation is linked positively to the internet usage and online sales of firms (Gabrielsson, 2005; Reuber and Fischer, 2011; Piscitello and Sgobbi, 2004).

With regard to the external factors, the industry norms and market changes have a significant role as antecedents of the international website use (Tiessen et al., 2001). Furthermore, a competition related factor, such as the competitive pressure, may also affect firms' internet adoption (Dholakia and Kshetri, 2004). Finally, institutional factors such as the government support, may also affect the e-business adoption in firms (Chatzoglou and Chatzoudes, 2016).

2.4.3.2 Internet Enabled Resources and Capabilities

Internet is considered a key enabler of IE, in view of its potential to increase the efficiency of communication and online transactions, and reduce the constraints of resource-limited companies (Bianchi and Mathews, 2016; Reuber and Fischer, 2011; Sinkovics et al., 2013). Internet reduces the information asymmetries that SMEs experience during their internationalisation and decreases the perceived risk associated with international involvement (Mathews and Healy, 2007). The considerably increased adoption of internet in business operations, constitutes one of the factors that challenged the traditional internationalisation approach of firms in terms of their ability to internationalise after their establishment, as opposed to initially focusing their activities in their domestic market (Bianchi and Mathews, 2016; Reuber and Fischer, 2011; Sinkovics et al., 2013;). Multiple studies have identified internet as a facilitator of the foreign market expansion and international success (e.g. Prasad et al., 2001; Aspelund and Moen, 2004; Mostafa et al., 2005; Mathews and Healy, 2007; Sincovics et al., 2013). A few studies have discussed IE and the role of internet usage in IE; internet is acknowledged as a catalyst of internationalisation, a knowledge-building tool, and a key to access international market (Prasad et al., 2001; Chetty and

Hunt, 2004; Loane, 2006; Tran et al., 2016). Recent researches have highlighted the importance of gaining further understanding of how and to what extent internet adoption facilitates the internationalisation of SMEs (Glavas and Mathews, 2014), which is particularly relevant as the influence of internet on business practices is increasing rapidly and, thus, SMEs are likely to draw substantial benefits from this growth.

Numerous scholars have studied the usage of internet in marketing management, network development, knowledge building, market transaction and trading, and diffusion of innovation (Moen et al., 2003; Lituchy and Rail, 2000; Loane, 2006; Loane and Bell, 2006; Nieto and Fernández, 2005; Gabrielsson and Gabrielsson, 2011; Sinkovics et al., 2013; Brouthers et al., 2016; Schu et al., 2016).It remains unclear, however, in what degree internet capabilities are able to contribute to the international business process of firms (Mostafa et al., 2006; Mathews and Healy, 2007).The existing RBV studies have highlighted particularly the association between internet usage and capability development; for example, Reuber and Fischer (2011) claimed that internet-enabled capabilities are critical resources which contribute to pursuing opportunities internationally and success of firms. While various studies have emphasised the influence of ’internet marketing capability’ on the international expansion of firms (Bianchi and Mathews, 2016; Bianchi et al., 2017; Mathews et al., 2016; Mathews, et al., 2019), there is limited focus on other types of capabilities enhancement, such as network and innovation capabilities. This study investigates in what way internet provides resources which facilitate the internationalisation for SMEs, and in what way it influences the internal resources and capabilities development of firms.

2.4.3.3 Digital Platforms

This study highlights the importance of internet-enabled resources for internationalisation of firms through various digital platforms as resource providers. Extant studies provide digital platforms with different names or definitions, such as; ’online platform’, ’internet-based platform’, and ’virtual platform’ (Anwar, 2017; Coviello et al., 2017; Dimitratos et al., 2014; Parker et al., 2016). In this study, however, the term ‘digital platform’ is used, in line with the study of Nambisan (2017), which refers to online platforms that enable interaction and communication between at least two

parties, including e-commerce platforms, app stores, software stores, social media platforms etc.

Digital platforms provide infrastructure, information and technology which allow direct transactions and value creation online, through connecting markets from various user groups, and generate considerable revenue (Zeng and Glaister, 2016). Selling digital products through online platforms accelerates internationalisation and enables the global nature of businesses (Shaheer and Li, 2018). For example, e-commerce platforms support the export of products to international markets by means of a sales channel and by shaping the overall ecosystem (Li et al., 2018). Furthermore, digital platforms assist in creating borderless networks and enhancing international outcomes by means of identifying international opportunities with the leverage of international relationships (Bianchi and Mathews, 2016; Glavas et al., 2017). For instance, the Alibaba Group enables Chinese B2C/B2B firms to expeditiously expand into global markets (Anwar, 2017).

2.5 The Context of China

In order to understand the internationalisation of firms in the Chinese context, it is necessary to consider the historical development of the Chinese enterprises and international businesses. Since the economic reform in China in 1979, the country has been identified as a transitional economy which is evolving over time (Child, 1994; He et al. 2016). The development of entrepreneurship in China has been divided into 3 phases: the first phase refers to the transition of China whilst the market remained underdeveloped - entrepreneurs at this phase emphasised which resources were required for the development of new companies, and social networks (Guanxi); the second phase applies to the transition of China at an early stage, when entrepreneurs highlighted the importance of competitive advantage, management and strategy for firms; and the third phase refers to the current transition stage where the Chinese market is more developed, and entrepreneurs tend to pursue innovation and long-term goals for their firms (He et al., 2018).

Similarly, the internationalisation of Chinese firms have experienced different stages. According to Yan et al. (2018), there are three stages including the 1980s' exploration

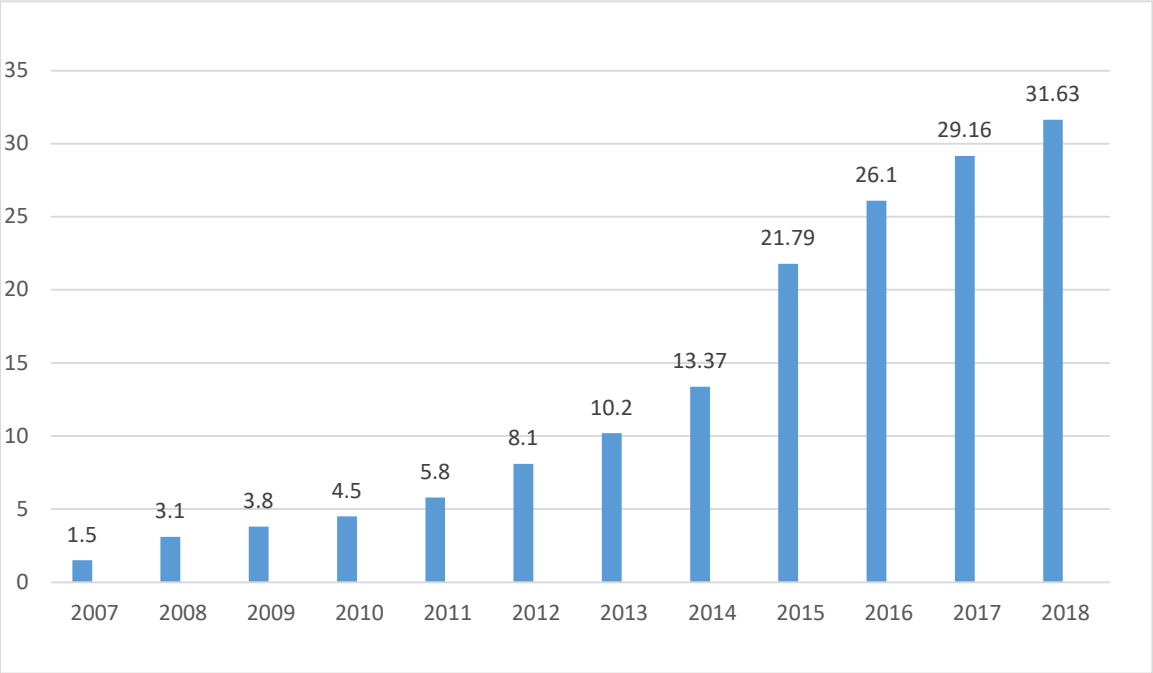
stage, the 1990s' confirmation and development stage, and the 2000s' encouragement of stage of going out. Recent initiatives by the Chinese government including 'one belt on road' and 'mass entrepreneurship and innovation', played an important role in the promotion of internationalisation and entrepreneurship for Chinese firms (He et al., 2018; Yan et al., 2018). More recently, the initiative 'Made in China 2025', which is a ten-year plan, emphasises on extending the role of Chinese market as a 'world factory' for high-tech industries, which also includes the upgrade of the Chinese industry to the concept of 'Industry 4.0' (CSIS, 2015; State Council of the People's Republic of China, 2015). In comparison to SOEs, private Chinese firms had suffered from regulatory discrimination in the past which had negatively affected their access to resources and, consequently, their international expansion. Recently, however, SMEs receive continuous support which assists them in their internationalisation (Li and Ding, 2017; Yan et al., 2018; Yuan and Vinig, 2007). Additionally, relatively limited attention has been paid to the internationalisation of Chinese SMEs, especially in terms of the government influence (Cardoza et al., 2015; Deng and Zhang, 2018; Huang et al., 2017; Li and Ding, 2017). Therefore, this study investigates in what way the founders/managers of SMEs perceive the influence of different stages, and the contribution of institutional resources which are being enabled by the government for their domestic and international expansion.

The role of SMEs in China has experienced historical changes over the last decades. Chinese firms were not permitted to involve in OFDI activities before 1978, and the Chinese market was dominated by SOEs before 1979, which was the year when the privatisation and economic reforms began (Child, 1994; Child and David, 2001). Over the past decades, Chinese SMEs have demonstrated increasing importance in the domestic market and have presented rapid development in international markets (Deng, 2012; Deng and Zhang, 2018; Yan et al., 2018). Although official statistics about Chinese SMEs were not available a few years ago, the government was aware of the importance of SMEs for the national economy, and, thus, promoted the research about SMEs since 2012 (SAIC, 2014). According to the most recent government statistics, SMEs have contributed up to 60% of the China's GDP in 2013, 50% the country's tax income, and they account for 97.5% of the total registered enterprises by 2017 (NBSC, 2014; NBSC, 2018).

Various scholars have studied extensively the motivation of Chinese SMEs to internationalise. Boisot and Meyer (2008) posited that Chinese SMEs are motivated by the impact of international activities on their competitiveness and strategic methods, especially in a case where the cross-border (international) cost turned out to be lower than the cross-province (domestic) cost. Another significant motivation is the strategic intent of firms, although it appears more attractive than MNEs (Deng, 2012; Zeng and Williamson, 2003). Furthermore, the institutional antecedents were identified as an important motivation for international movement of Chinese SMEs, particularly when they receive government support and cultural proximity in their host countries (Deng, 2012; Yuan and Pangarkar, 2010). Furthermore, the motivation of firms to internationalise was studied extensively in IE literature. It has been stated that it may derive from various sources such as; the highly competitive domestic environment, the high technological intensity of a sector, the importance of organisational learning, the strong entrepreneurial orientation etc. (Yamakawa et al., 2008). Aside from the external drivers, it is found that the perception and characteristics of Chinese entrepreneurs such as; their perceived barriers and benefits, their knowledge and attitude, act as significant internal driver for their intenationalisation (Yan et al., 2018).

China has witnessed remarkable growth of digitalisation in companies and industries by progressive changes in their government policies (Mathews et al., 2018; McKinsey et al. 2017). The country context is important when studying the e-commerce in China, because contextual factors such as; the limited computer access in China, the limitation of trust, and information sharing within the country, may restrict or stimulate the development of e-commerce. (Mathews et al., 2018). More recently, however, the digitalisation of business activities has been improved dramatically by the consumers' needs and the government policy (McKinsey et al. 2017). That growth is considered as rapid rather than gradual growth since 2008, because the total e-commerce sales started at around RMB 1.5 trillion between 2006 and 2007, and then hit RMB 31.63 trillion in 2018, with an average annual growth rate at approximately 27% (MOFCOM, 2019) (Figure 2.1). In particular, the cross-border e-commerce sales achieved fast growth with an approximate growth rate of 30% between 2008 and 2015, and reached approximately RMB 4.8 trillion in 2015; the growth rate is estimated to hit 12 trillion in 2020 (International Trade Centre, 2016; Li et al., 2017; UNCTAD, 2019). At a macro-level, China has become the largest digital market globally with its increased

digitalisation of business activities to directly impact the internationalisation of Chinese SMEs (Anwar, 2017; Avgerou and Li, 2013; Zeng and Glaister, 2016). Moreover, both domestic (e.g. Alibaba) and foreign (Amazon, eBay, and Google) digital platforms provide network resources and sales channels for Chinese SMEs in order to expand internationally (Li et al., 2017; Zeng and Glaister, 2016).



Source: The Ministry of Commerce of the People's Republic of China, Department of Electronic Commerce and Information

Figure 2.1: China's e-commerce sales between 2007 and 2018 (RMB)

It is valuable to study international entrepreneurship of Chinese SMEs due to the unique institutional and cultural setting of China, and the significant changes which have occurred in the recent decades. Considering the fact that Chinese firms face more opportunities and more uncertainties compared to companies which are established in developed countries, the extant findings from developed economies may not be able to disclose the international behaviour of the Chinese SMEs (Zhang et al., 2012, 2016; Yan et al., 2018). It is timely to study the international entrepreneurship of Chinese firms in depth, since China is currently entering its golden era for the development of entrepreneurship, specifically since 2015 when the Chinese

government began to promote the initiative of 'mass entrepreneurship and innovation' and to provide a variety of resources for entrepreneurial firms (He et al., 2018). In view of the increasing importance of internet and digital platforms and their effect on the internationalisation of the Chinese SMEs over the recent years, it is necessary to include them in this study. Finally, this study conducts a contextual analysis of the internationalisation of SMEs in China, and focuses on resources which were made available through implementation of government policies and the importance of internet.

This study categorises the international business and entrepreneurship in China into four stages which are the revolutionary stage (1978 to 1980s), shaping stage (1990s), accelerating stage (2000s), and blooming stage (2010s). The revolutionary stage witnessed the economic reform from planned economy to market economy, which allowed privatization and unleashed the development of entrepreneurship (Child and Tse, 2001; He et al., 2019), and the "open up" policy enabled Chinese firms to join the in international market when firm was not able to participate Outward Foreign Direct Investment (OFDI) activity (Alon et al., 2018). During the shaping stage, China encouraged OFDI and export, reopened the stock market, and the private sector enjoyed remarkable growth during this stage because of the strategy of "seize the big and free the small " which privatised various small and medium size sate-owned enterprise (SOEs) (Green and Liu, 2005; Tse and Lau, 1999; Deng, 2012). The accelerating stage experienced the "go global" policy which was key for China to embrace globalisation and supported domestic enterprises to expand internationally, in 2001 China jointed WTO which is another milestone for internationalisation of Chinese firms, and all enterprises have the rights to export directly from then (Deng, 2009; Gao et al., 2010). Shortly after, the Chinese government offered support particularly for SMEs by the SME promotion law in 2002 (Cardoza et al., 2015). Finally, China entered the blooming stage: in 2015, the outbound direct investment (ODI) surpassed the inbound foreign direct investment (FDI) in China for the first time with significant contribution from SMEs, China then exceeded Japan and became the second largest source of OFDI in worldwide (Deng and Zhang, 2018; KPMG, 2016).

2.6 Summary

This chapter has examined how internal resources, capabilities, and external resources enable international expansion of SMEs according to existing literature. It has shown that firms' internal resources and capabilities including human capital, innovation capability, and network capability can affect the speed and modes of firms' international market entry. Furthermore, this chapter has presented the existing studies on the external resources that firms can access to facilitate their international expansion, including government enabled resources, universities resources, and digital platform resources. Not only has the independent effect of each resource and capability been shown, but also the relationships between different resources and capabilities have been pointed out in the existing literature. This chapter has also provided the contextual information of China, considering the unique political and economic environment for Chinese SMEs. By reviewing the existing literature, this chapter therefore provides theoretical base to conduct this study and identifies gaps for this study to address. The following chapter will then explain the research design of this study, subsequent to the review of literature.

Chapter 3: Methodology

3.1 Introduction

This chapter explains the design of this research. It describes the overall research philosophy, approach, methods of data collection used, and the data analysis techniques that were employed. In so doing, it provides a justification for the methodology adopted. Although existing literature has discussed the role of internal resources and capabilities for the internationalisation of firms, little is known about the interaction among different external and internal resources and capabilities, especially in China's unique institutional and cultural setting. Thus, this study is exploratory in nature. Its intention was not to test existing theory and generalise the findings, but to extend the existing theory (Eisenhardt and Graebner, 2007; Eisenhardt et al., 2016). Thus, the researcher chose to adopt an abductive qualitative and interpretive approach that emphasises theory building and allows participants to interpret and assign meaning to their own experiences and behaviour (Corley and Gioia, 2004; Gioia and Chittipeddi, 1991; Welch et al., 2011). Such an approach is rooted in social constructivism; it is therefore unavoidably subjective and focuses heavily on contextual influences (Gioia and Chittipeddi, 1991).

Previous studies have found that entrepreneurs' perceptions of resources might differ from those of academics and the prescription of RBV (Kellermanns et al., 2016), and that subjective non-sales dimensions should be considered (Terjesen et al., 2016), such as perceived benefits. This study used in-depth interviews to understand how managers perceive the influence of different resources and capabilities on the international expansion of Chinese SMEs. Also, this study responded to Haley and Boje's (2014) call for the inclusion of multiple voices in interpretive research, such as the perspectives of different stakeholders. Studies that highlight the need for more qualitative studies and the contextualisation of IB research have argued that the context dependence is especially important in this field due to its cross-border and cross-cultural nature (Lincoln and Guba 1985; Welch and Piekkari, 2017; Welch et al., 2011).

3.2 Research philosophy

Different research philosophies underpin the particular goals which researchers aim to achieve (Rubin and Rubin, 2012). For instance, ontology refers to how the researcher views the nature of reality (Saunders et al., 2009). The ontological stance of this study was based on constructionism, which embraces multiple versions of realities that cannot be generalised (Bryman and Bell, 2015). Therefore, researchers are advised to demonstrate how different participants' realities are reflected in any explanation (Symon et al., 2018). Furthermore, to achieve ontological legitimacy, they should demonstrate how they have enabled participants to generate a series of understandings of a phenomenon (Symon et al., 2018). Rather than viewing the world and reality as external and objective to individuals, as positivism claims, constructionism argues that the social world is embedded in and shaped through interactions (Bryman and Bell, 2015). Thus, while a positivist stance contends that researchers should remain independent from social reality, constructivism allows a subjective approach in which the researchers are central to the research process and shape its outcomes (Eriksson and Kovalainen, 2015). Accordingly, this study explored reality through the perceptions and interpretations of those involved. The researcher assumed the existence of multiple realities bounded to different contexts, and that participants' own understanding significantly shaped the reality that was represented in a certain context. Instead of being independent from this external reality, the researcher emphasised their interaction with participants and thus their role in helping to develop a variety of interpretations of the phenomena.

The epistemological stance concerns what is considered to be appropriate knowledge and how this should be acquired. As with ontology, there are two classical epistemological positions, positivism and interpretivism (Bryman and Bell, 2015). This study follows Prasad (2005) who characterises interpretivism as an umbrella term that encompasses several distinct yet connected traditions including phenomenology, pragmatism, symbolic interactionism, hermeneutics and constructionism. These traditions claim that the creation of knowledge is unavoidably associated with human interpretation. A comparison of positivist and interpretivist paradigms is presented in Table 3.1. The epistemological stance of positivism holds that the social world should be studied according to the principles, procedures and ethos applied in natural

sciences; thus, the relationships between theories are testable and can be generalised (Bryman and Bell, 2015; Pugh, 1983). According to positivism, knowledge can be acquired from information that can be uncovered and then confirmed by scientific rationale (Collis and Hussey, 2014). By contrast, interpretivism emphasises the variation that exists between individuals, thus social science researchers need to comprehend the subjective significance of social action (Bryman and Bell, 2015; Weber, 1991). From an interpretive perspective, context matters; the meanings ascribed by and to people are socially constructed phenomena bound to a context (Berger and Luckmann, 1966; Gioia and Chittipeddi, 1991).

Therefore, when interpretivists develop theories, they emphasise the meaning ascribed by people to phenomena; whereas positivists focus on prediction and seek to identify the causal relationships between different variables (Gehman et al., 2018). This study was based on interpretivism, as it perceived the world as socially constructed and meaning as defined by people through interaction (Prasad and Prasad, 2002). By contrast, the positivist paradigm believes reality is objective and independent from social actors: as such it can be measured and described objectively (Bryman and Bell, 2015). While positivism investigates cause-effect relationships in social science (Collins and Hussey, 2014), interpretivism explores reality through personal interactions and engagement in the social world (Carson et al., 2001). The interest of interpretivists lies in participants' experiences and how they interpret these. Such researchers therefore explore variations among people, groups and cultures, and strives to understand why such differences exist (Gehman et al., 2018). Myers (2013) claimed that less attention has been paid to interpretive studies than positivist studies in business research, although the interpretivist paradigm is considered highly suitable for research in business and management (Saunders et al., 2009). To understand people's perceptions of their experiences, this approach is usually applied to analyse concepts such as identification, sensemaking and sensegiving (Eisenhardt et al., 2016).

Positivism	Interpretivism	This study
Large sample is required	Small sample can be sufficient	Multiple interviews (with 40 companies and 4 external stakeholders)
Focus on testing hypothesis	Focus on developing/ extending theories	Focus on extending the theory of RBV in the IB context
Involves precise, objective and quantitative data	Involve in-depth, subjective and qualitative data	in-depth, subjective and qualitative data
Results demonstrate high level of reliability	Results demonstrate high level of validity	High validity of result
Results can be generalised	Results cannot be generalised and are contextually bound	Results cannot be generalised

Source: Collis and Hussey (2014, p. 50)

Table 3.1: Characteristics of Positivism and Interpretivism

According to Gioia et al. (2013), flexibility should be intrinsic to an interpretative study: for instance, researchers should be led by the participants during their inquiry and therefore interview questions should be modified as the study progresses. Thus, it is inappropriate for an interview protocol to be standardised. This study provides interview protocol that is semi-structured, the researcher also allowed the protocol to evolve based on the responses of the participants and the increasing knowledge from the field.

Positivism in qualitative research	Interpretivism in qualitative research
Personal involvement should be avoided as it can bias the empirical data.	Personal involvement is important and facilitates interpretative understanding.
Information should be triangulated from different sources when collecting data, the aim of which is to search for an objective and convergent explanation.	Data triangulation should allow different voices to be heard, including participants' experiences, perspectives, and meanings.
Standardisation across various interviews can and should be achieved; the interview guidelines should be consistent and standardised questions used to demonstrate the reliability of measurement.	Data collection and analysis should not be standardised but co-produced. Researchers should facilitate the mutual production of empirical evidence with participants.
The final explanation of the findings requires accuracy; it should be generalisable across different participants to ensure it is warranted.	The interpretation cannot be claimed as the only and correct one, therefore researchers need to be careful regarding the evidence used for drawing conclusions.

Source: Welch and Piekkari (2017)

Table 3.2: Positivism vs. Interpretivism.

3.3 Approach

The design of any research project involves a consideration of theory, thus it is important to consider whether the theoretical framework is made explicit at the beginning of the study, as it determines the approach to the research (Saunders, 2009). Specifically, there are three types of approaches: deductive, inductive, and a combination of the two (abductive). A deductive approach should be adopted when testing a developed theory and hypotheses; while an inductive approach is used to develop or extend theory as the outcome of data analysis. Finally, an abductive approach combines both deduction and induction to generate new ideas (Saunders,

2009; Saunders et al., 2016). The deductive approach involves a process from theory to the revision of theory.

An inductive approach utilises a process that is the reverse of the deductive approach in that it moves from observation/findings to the development of theory, thus, the inductive stance holds that theory formation is the result of research (Bryman and Bell, 2015). The intention of researchers is therefore to understand what is going on in the field and develop a better understanding of the nature of the problem. Their task is to make sense of the empirical data collected through rigorous analysis (Saunders, 2009). However, the inductive process commonly includes an element of deduction in the iteration between empirical evidence and theory. For instance, having engaged in theoretical reflection of the data, researchers may be interested in collecting further data to explore the conditions under which a theory will hold (Bryman and Bell, 2015). Creswell (2014) argues that the choice of a deductive or inductive approach depends on the nature of the research topic: a deductive approach is appropriate if the literature the researcher used to define the theoretical framework and hypotheses is abundant. Conversely, an inductive approach is more appropriate if the research topic is new, generates debate, or existing literature is scarce. Regarding to the current topic, little is known about the ways in which internal and external resources and capabilities interact and contribute to the internationalisation of SMEs from the Chinese context.

An abductive approach was taken to enable the researcher to connect the empirical evidence to existing theory and allow opportunity to further develop the theory (Gehman et al., 2018). This is because several of the concepts/theories based on RBV have been extensively defined and investigated, and thus provide a consolidated foundation for this study to build on. However, some of the underpinnings of this study remain understudied, especially in the IB context. According to the extant literature (Gehman et al., 2018; Yagi and Kleinberg, 2011), an abductive approach is appropriate for this study as the researcher began with a preliminary idea of what to find out based on existing literature, collected empirical data, and then connected this evidence to prior theories to develop a richer understanding of the phenomena. Moreover, this study focused on an individual level of analysis and strove to reveal voices from different perspectives. An abductive approach also helped fulfil the need for theory building; the empirical data thus guided the research and yielded outcomes that served this purpose.

3.4 Sampling

This study employed purposive sampling (non-probability sampling technique) to recruit participants, which meant they were not randomly selected (Bryman and Bell, 2015; Saunders, 2009; Tracy, 2019). This is because the aim of purposive sampling is to adopt a strategic approach when selecting participants by ensuring that the characteristics of the sample are relevant to the research topic (Bryman and Bell, 2015). Furthermore, researchers usually tend to embrace a certain level of diversity, thus allowing the participants to demonstrate variation in the responses given (Bryman, 2016; Saunders et al., 2009). Because purposive sampling is a non-probability approach, it enables scholars to specify the findings to a specific population (Bryman and Bell, 2015; Collis and Hussey, 2014). Initially judgemental sampling was employed, whereby participants were chosen whose experiences were relevant to the research phenomena and the sample selected was thus based on the researcher's personal judgement (Collis and Hussey, 2014; Sekaran, 2016). A snowball sampling technique was then employed, which allowed the research to acquire further relevant contacts through the recommendation or introduction of the interviewees (Bryman and Bell, 2015; Saunders, 2009). This technique is useful in a cultural context where personal networks are significant (Coleman, 1958). Thus, it is especially appropriate in a Chinese context where a social network (Guanxi) is important to entrepreneurs.

The researcher collected data through semi-structured, in-depth interviews conducted with entrepreneurs/managers of 40 SMEs. Because this study adopted an interpretivist stance, the researcher was particularly interested in capturing variability and understanding why this exists rather than controlling variation, as was the case in Eisenhardt's approach (Gehman et al., 2018). Several criteria were used to select the companies. Firstly, the companies needed to be SMEs in accordance with the definition of SMEs in a Chinese context. To that end, the criteria set out by the National Bureau of Statistics (NBS) for Chinese SMEs (NBS, 2017) was followed, which included the number of employees and annual sales based on different industries. Secondly, the selected firms needed to be involved in international activities and generating international sales. Thirdly, the selected firms had to be from a multi-industry background as the perceived importance of resources may differ between industries. Finally, the sample was collected from different geographical regions (Shanghai, Hangzhou, Shenzhen, Beijing, Wuhan and Yunnan) to avoid biasing the

data towards a specific region. For example, cities situated in some industrial clusters may not be sufficiently representative of the country. To triangulate the data and obtain multiple perspectives, the researcher also interviewed other external stakeholders associated with the firms, including three from universities, one from a leading ecommerce platform, and one venture capitalist. Additional sources such as publicly available documents, websites, and observations were also utilised.

3.5 Data collection

Semi-structured interviews were conducted with founders or senior managers in 40 internationalised SMEs, each interview lasted approximately one hour. Notetaking and audio recording were also used with the permission of participants. The interview protocol was developed from the existing literature, which meant it had primarily been applied in other geographical contexts (e.g., Anglo-Saxon), and comprised open-ended questions that addressed the research topic and objectives. Flexibility was built into the interview questions to allow them to evolve, as Gioia (2012) argued that interview questions in an interpretative study must be adjusted as the research progresses and interviewees should be allowed to lead the research. In this sense, it was possible to adjust the interview schedule to the idiosyncrasies of the context researcher. Furthermore this approach, allowed new concepts to develop, as interview questions should not be fully standardised. The interview mainly consisted of “what”, “how” and “why” questions (Yin, 2015) to ensure fuller answers that would provide an in-depth understanding of the research topic. Similarly, the interview protocol included probes (follow-up questions) along with the main questions to enable the researcher to ask interviewees to explain the meaning of their answers (Saunders, 2009). The interviewees were also encouraged to provide real life examples and explanations in support of their arguments.

The companies were initially identified by searching in several databases (Kompass China trade Directory, Small and Micro Enterprises Index, and TianYanCha). They were then contacted via telephone and email, details of which were available on the websites. Follow-up phone calls were then made, if needed, to confirm the firm was internationalised and that the manager/s were interested in taking part in this research. However, the responses received from the targeted companies were limited, therefore

the researcher searched online for relevant industry forums and trade fairs to attend in order to engage in face-to-face conversations with the companies. Snowball sampling was also used to obtain more data from more internationalised SMEs. Ultimately, although participants were contacted in various ways, most were recruited through the researchers' personal contacts and the use of the snowballing technique. Each company provided 1-2 interviewees who were founders or/and senior managers. This enabled the researcher to conduct an individual analysis from the perspective of entrepreneurs and managers, who together represented a range of high-tech and low-tech industries. The researcher also interviewed three university representatives from the innovation and entrepreneurship department, one manager of a leading online platform from the business development department, and one manager from venture capital. Another source of data was that of documentation, which included internal materials from organisations (booklets, business proposals, reports) and online information (websites, blogs, news). The researcher also kept checking on firms' websites for news updates to find out what progress was being made in their international activities. The researcher also continued to maintain contact with the interviewees in order to ask any further questions that may have occurred during the data analysis stage. A profile of the sample is presented in Table 3.3, which describes the key characteristics of each firm and provides a cross-case analysis. Profiles of the other SME stakeholders interviewed are presented in Table 3.4.

Name	Sector	Technological intensity	Size	Number of employees	Age	Age of first market entry	Position of interviewee	Scope	Modes	International ratio
SME 1	Manufacturing-suitcases	Low-tech	Medium	Under 1000	15	1	Senior manager	Netherlands (OEM export in 2002) Germany (OEM export in 2002) UK (OEM export 2004) France (OEM export 2005) Japan (acquisition 2008) US (export 2010) Turkey (export 2014) Italy (export 2005, subsidiary 2014) India (export 2015)	Export, acquisition, subsidiary	Over 80%
SME 2	Marketing service	Knowledge-intensive service	Medium	Under 300	15	11	Senior manager	France (2013) US (2015) Switzerland (2016) Japan (2018)	Service export	Below 25%

SME 3	Video games	High-tech	Micro	2	3	1	Founder	US (licensing 2016) (strategic alliance 2019) Poland (licensing) (2016) Australia (foreign office) (2017)	Software licensing/ oversea office	Over 50%
SME 4	Mobile app	High-tech	Medium	Under 300	5	5	Senior manager	US (2017) Japan (2017)	Software licensing	Less than 25%
SME 5	Online media, mobile application	High-tech	Micro	7	5	2	Senior manager	Australia (subsidiary 2014; software licensing 2015)	Subsidiary/ software licensing	More than 80%
SME 6	Business Service	Knowledge-intensive service	Small	Around 80	2	2	Senior manager	UK (2017) US (2017) France (2017) Australia (2017)	Service export	Over 25%
SME 7	Manufacturing-tires	Low-tech	Medium	Around 500	Around 15	2	Founder	US (2002) Germany (2002) UK (2004) Australia (2009) India (2016) Vietnam (2017)	Export	More than 80%

SME 8	Online education service portal	High-tech	Medium	Around 400	13	1	Senior manager	US (2004) Canada (2004) UK (2005) Australia (2005) South Africa (2014)	Service export through website	Over 25%
SME 9	Ecommerce/ retailer	Low-tech	Small	12	2	1	Founder	US (2015) EU (2015) Japan (2015)	Export	Almost 100%
SME 10	Manufacturer -power equipment	High-tech	Medium	Around 250	11	3	Senior manager	Ethiopia (2010) Malaysia (2010) Pakistan (2014) Laos (2016) Saudi Arabia (2016) Vietnam (2017)	Export	Around 50%
SME 11	Ecommerce/ wholesaler-electronics	Low-tech	Micro	3	2	1	Founder	India (2016) Ukraine (2016) Italy (2016) Poland (2016) US (2016) UK (2016) United Arab Emirates (2017) Saudi Arabia (2017) Turkey (2018)	Export	Almost 100%

SME 12	IT/Blockchain	High-tech	Small	10	2	2	Founder	US (Strategic alliance) (2018) UK (Strategic alliance)(2018) Singapore (Strategic alliance)(2018)	Strategic alliance (for R&D and resource sharing)	Over 25%
SME 13	3D printing/ manufacturing	high-tech	Medium	Under 1000	15	5	Senior manager	Germany (export) (2007) UK (export, strategic alliance) (2007) (2014) US (export) (2008) Japan (2009) Korea (2011) Australia (2012) South Africa (2013)	Export/ strategic alliance (for R&D and resource sharing)	Over 50%
SME 14	3D Printing/ manufacture and design service	High-tech	Small	Under 300	5	2	Founder	Belgium (2015) US (2015)	Strategic alliance (for R&D resources sharing)	Over 10%
SME 15	3D printing/ equipment wholesaler	high-tech	Small	Around 200	5	3	Senior manager	Norway (2016) India (2017) Turkey (2017) US (2017) Korea (2018)	Export	Around 25%

SME 16	Bio-tech/ manufacturing	High-tech	Medium	Under 500	Around 10	1	Founder	Mexico (2007) Spain (2011) Peru (2013)	Export	70%
SME 17	Fashion/ manufacturing	Low-tech	Medium	Around 300	7	1	Senior manager	UK (2010) France (2010) US (2011) Australia (2012) Russia (2013) United Arab Emirates (2015) Saudi Arabia (2015)	Export	Over 80%
SME 18	Cosmetic/ manufacturing	High-tech	Medium	Under 1000	7	6	Senior manager	Southeast Asia (export 2017)	Export	Around 3%
SME 19	Online media service	Knowledge-intensive service	Small	8	7	1	Senior manager	Australia (subsidiary 2010)	Service export, subsidiary	Around 25%
SME 20	Electronics manufacturing	High-tech	Medium	Around 500	5	1	Senior manager	US (2015) Korea (2015)	Export	Over 80%
SME 21	Business development service	Knowledge-intensive service	Medium	Around 200	5	2	Founder	US (2015) Netherlands (2015)	Service export	Over 50%

SME 22	Ecommerce/ retailer	Low-tech	Small	10	3	1	Founder	US (2015) UK (2015) Germany (2015) France (2015) Italy (2015) Spain (2015)	Export	Over 80%
SME 23	Ecommerce/ retailer and wholesaler	Low-tech	Medium	Under 300	Around 15	1	Senior manager	US (2002) UK (2005) Germany (2006) France (2008)	Export	Over 80%
SME 24	Ecommerce/ retailer and wholesaler	Low-tech	Medium	Under 300	3	1	Senior manager	Germany (2015) Italy (2015) UK (2015) US (2015) Greece (2016) Japan (2016) Korea (2016)	Export	Over 80%
SME 25	Headhunting service	Knowledge-intensive service	Small	Around 30	5	1	Senior manager	US (2012) UK (2012) Canada (2012) Australia (2013) Germany (2014)	Service export	Over 25%

								Switzerland (2014) Ireland (2014)		
SME 26	Ecommerce/ retailer	Low-tech	Micro	2	1	1	Founder	US (2018) Canada (2018) Mexico (2018)	Export	Almost 100%
SME 27	AI/ IT	High-tech	Small	Around 30	2	1	Senior manager	US (2017)	Subsidiary	Around 10%
SME 28	Real estate	Low-tech	Medium	Around 1000	Around 10	1	Senior manager	Australia (strategic alliance-2008) (subsidairy-2010) US (strategic alliance-2009) (subsidairy-2011) New Zealand (strategic alliance) (2012) UK (strategic alliance) (2013) Greece (strategic alliance) (2014)	Subsidiary/ strategic alliance (marketing and business development)	Over 25%
SME 29	Retail/ furniture	Low-tech	Medium	Around 200	15	1	Senior manager	Thailand (joint venture 2003) US (export 2004) Netherlands (export 2004) UK (export 2005) Germany (export 2006) Australia (export 2008) Mexico (export 2010)	Export joint venture	Around 25%

SME 30	Food	Low-tech	Medium	Around 300	2	1	Senior manager	US (export, subsidiary) (2016) Canada (export 2016) UK (export 2017) Korea (export 2018) Australia (export 2018)	Export subsidiary	Over 50%
SME 31	AI/ IT	High-tech	Medium	Under 300	6	5	Senior manager	Singapore (subsidiary) (2017) US (subsidiary) (2017) (strategic alliance) (2018)	Subsidiary strategic alliance (R&D agreement)	Around 25%
SME 32	IT/software and equipment	High-tech	Medium	Around 100	3	1	Founder	Thailand (licensing, 2016) Poland (licensing, 2016)	Licensing	Over 25%
SME 33	AI/ IT	High-tech	Medium	Under 300	4	1	Senior manager	Singapore (strategic alliance, 2014) US (strategic alliance, 2018) Germany (strategic alliance, 2018)	Strategic alliance (R&D agreement, marketing and sales resource sharing)	Around 25%
SME 34	AI/ IT	High-tech	Small	Around 100	3	3	Founder	US (2018)	Strategic alliance (R&D agreement)	Around 10%

SME 35	Human resource service	Knowledge-intensive service	Medium	Around 200	10	1	Senior manager	US (service export, 2008; subsidiary, 2010) Canada (service export, 2008) UK (service export, 2010; strategic alliance 2011) Australia (service export, 2010) Ireland (service export, 2011) New Zealand (service export, 2012) India (service export, 2013) Germany (service export, 2014) France (service export, 2014) Netherlands (2015)	Service export/ strategic alliance (marketing and sales resourcing sharing)/ subsidiary (foreign office)	Over 80% before 2015 Around 25% after 2015
SME 36	Media, digital marketing	Knowledge-intensive service	Small	Under 100	2	2	Founder	UK (2018) France (2018)	Service export	Around 5%
SME 37	Digital marketing	Knowledge-intensive service	Small	Around 30	6	3	Founder	Switzerland (2016) US (2017)	Service export	Around 15%

SME 38	Manufacturer / retail	Low-tech	Medium	Under 1000	21	1	Senior manager	UK (export 1997) (subsidiary 2013) US (export 1997) (warehouse 2014) Germany (export 1999) France (export 2000) Australia (export 2003) Vietnam (export 2008) Thailand (export 2010) Russia (export 1997) (warehouse 2015)	Export/ subsidiary	Over 90%
SME 39	Wholesale/ retail	Low-tech	Medium	Under 300	Around 20	Around 3	Senior manager	Africa (2001) Southeast Asia (2002) Latin America (2006) EU (2015) North America (2015)	Export	Over 80%
SME 40	Business service	Knowledge-intensive service	Medium	Under 300	3	2	Founder	US (2016)	Service export	Over 80%

Table 3.3: Profiles of Firms

	Position of interviewee	Location	Number of interview
University 1	Representative of innovation and entrepreneurship department	Shanghai	1
University 2	Representative of innovation and entrepreneurship department	Hangzhou	1
University 3	Representative of innovation and entrepreneurship department	Yunnan	1
Ecommerce platform	Manager of business development department	Shanghai	1

Table 3.4: Profiles of Other Stakeholders

3.6 Data analysis

The data was transcribed and analysed according to the suggestions of various methodology experts (e.g. Gioia et al., 1994; Yin, 2015). NVivo was used in the data analysis to help to identify the interrelationships between and within cases and enhance the interpretation of data. The process of analysis facilitated iteration between the empirical data and theory, whilst allowing the iteration to adjust and enrich the researcher's understanding (Isabella, 1990; Welch et al., 2011). All audio recordings were transcribed, the total length of which were approximately six hundred pages. The analysis involved a process of data aggregation, examination, comparison and description (Gioia et al., 1994; Isabella, 1990). A systematic search of the empirical data was conducted to identify similarities and differences, and concepts identified in the extant literature. Following Corley and Gioia (2004), the first step was that of open coding, whereby initial concepts from the data were identified and grouped into categories such as government, ecommerce platforms, network resources, countries of entry, and so on. These were then aggregated into higher-order themes such as human resources, network capability, innovation capability, government resources and speed. Finally, these themes were aggregated into the key dimensions of external resource, internal resources and capabilities and international expansion. The coding structure is presented in Figure 3.1.

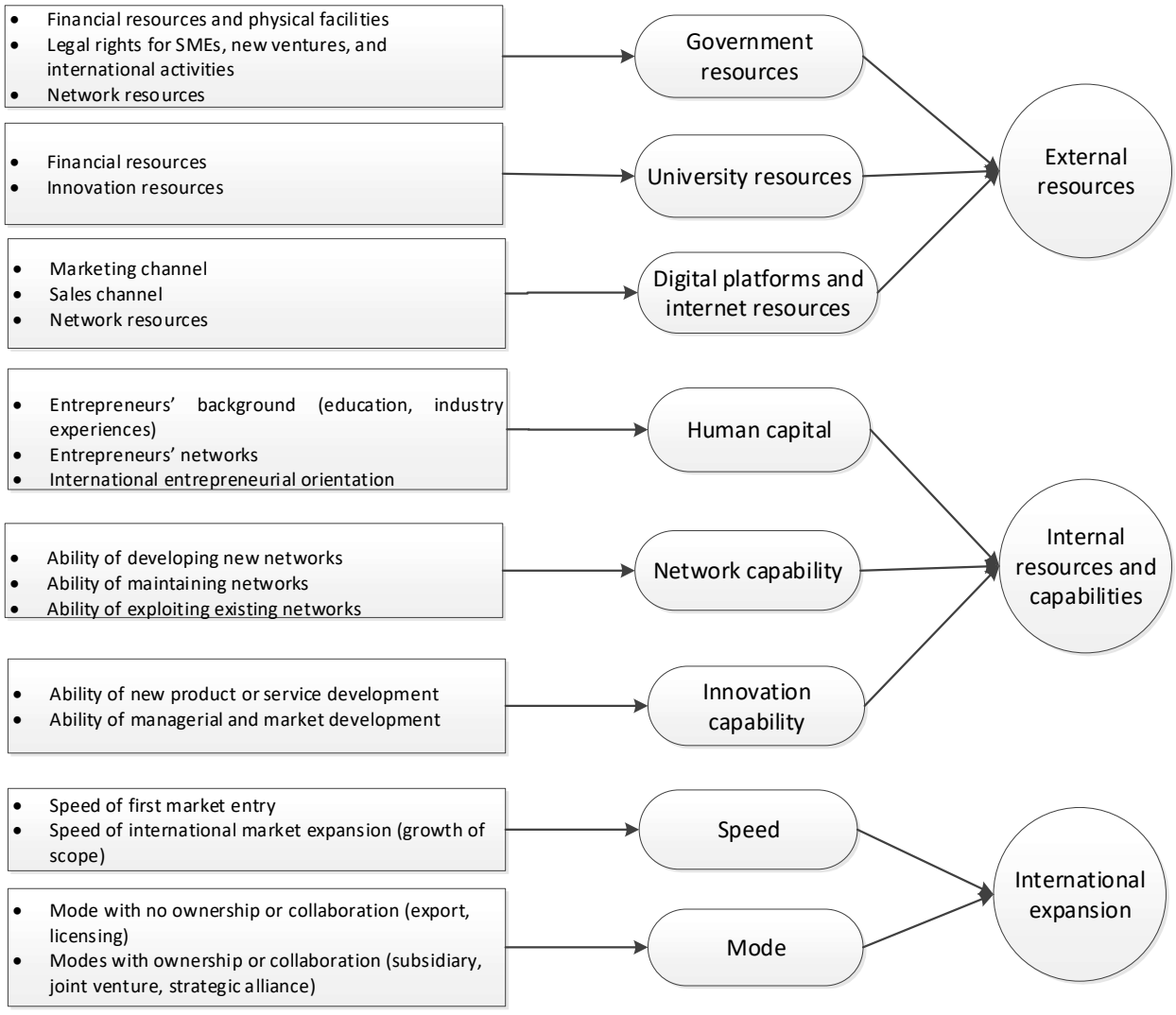


Figure 3.1: Coding Structure

3.7 Reflexivity

Reflexivity has gained increasing importance in academic research over the past few decades, especially among qualitative researchers who wish to legitimate their studies and demonstrate the trustworthiness of their results (Finlay and Gough, 2008; Guillemin et al., 2004; King et al., 2018). Reflexivity refers to the critical awareness of researchers, and the ability to engage in self-reflection, self-regulation, and self-monitoring (Adkins, 2001; McNay, 2005). Furthermore, it can enable scholars to be the effective tool of their own research (MacIntosh et al., 2017). It can be divided into

personal reflexivity, which involves reflecting on researchers' personal values, experiences, and interests, and epistemological reflexivity, which involves reflecting on the research question and research design (Nightingale and Cromby, 1999; Mao et al., 2016). When developing the research question and during the process of data collection and analysis, reflexivity plays an important role in enabling researchers to understand how their views, beliefs, experiences, and identity can affect the procedure (Butcher, 2017; Nightingale and Cromby, 1999; Tracy, 2019). By incorporating reflexivity, researchers can bridge the gap between research and practice (Etherington, 2004).

Scholars are therefore encouraged to value the importance of reflexivity in their fieldwork as it enhances their awareness of their own social position and propensity as well as their relationships with others (Hallberg, 2006; Riach, 2009). The researcher thus engaged in personal and epistemological reflexivity in the following ways. Firstly, they considered how their personal characteristics may affect the research: the researcher was born in the early 1990s and witnessed China's transitional economy, policy changes on entrepreneurship and international business, and the emergence of the internet. This has driven the researcher's strong interest in understanding how SMEs in contemporary China perceive the key resources for internationalisation. Secondly, the researcher obtained feedback from participants at the end of each interview to ascertain whether there were any elements of the interview process that required improvement. Thirdly, the researcher was aware of the way in which they were inspired by the interviewees to further shape the research questions and conduct the data analysis. Finally, the researcher developed the ability to adjust their communication style according to the characteristics of the interviewees when reflecting on the process of data collection.

3.8 Research Ethics

Ethical issues need to be considered by all scholars when designing research, obtaining access to participants and/or their organisations, collecting and analysing the data, and reporting the results (Saunders, 2009). Ethical considerations refer to the moral principles, rules, or standards that guide researchers' behaviour and their relationships with others (Blumberg et al., 2014; Collis and Hussey, 2014; Saunders,

2009). Among the various ethical principles researchers must adhere to are the avoidance of harm, the importance of voluntary participation, and the protection of confidentiality and anonymity (Collis and Hussey, 2014). The research was aware of the relevant ethical issues before and during the process of data collection. Prior to commencing the study, the researcher applied for and obtained ethical approval from Brunel University, London. Participants were informed about the topic and purpose of this research as well as the significance of their involvement before the research commenced. Documents including a participant information sheet and consent form were shown to and signed by participants prior to the interviews. The researcher also asked participants for permission to audio record each interview. The ethical considerations in this research were guided by the Brunel University Research Ethics Committee, and the relevant code of conduct. The interview data, including audio recordings and transcripts, were safely stored on university computers to ensure the data were secure. During the analysis and when reporting the findings, all data remained confidential and anonymous.

3.9 Summary

This chapter has presented the research design of this study. Being exploratory in nature, this study adopted an abductive approach. Under the interpretive paradigm of this study, qualitative research was conducted. The researcher collected empirical data from semi-structured interviews with 40 SMEs, three universities, and one digital platform in China. In order to minimise the bias in the Chinese context, this study has collected data from eight different cities (Shanghai, Beijing, Hangzhou, Shenzhen, Wuhan, Ningbo, Wenzhou, and Kunming) in 6 provinces, with firms from various industry background. Then, the cross-sectional interview data was coded to derive themes for analysis. The interview data was triangulated with documentation including firms' internal materials, website information, and news. In addition, this chapter has addressed the reflectivity of the researcher and ethical consideration. The research design of this study is displayed in table 3.5. During the data collection, the researcher has allowed flexibility for the interview questions to evolve, this is because the information and insights provided by the participants from the field have increased the researcher's knowledge on top of the knowledge derived from the literature.

Ontological Orientation	**Constructionism**
Epistemological Orientation	Interpretivism
Research Approach	abductive
Methodology	Mono method qualitative
Methods	Semi-Structured Interview

Table 3.5: Research Design

Chapter 4: Findings

4.1 Introduction

Based on the empirical evidence, the firms were categorised into two main groups. The first tended to follow the pattern of BGs (with born-again-globals), which emphasise the speed of internationalisation. The second pursued the pattern of mMNEs, as they engage in high commitment foreign market entry modes. As discussed in previous chapters, BGs are firms that entered foreign markets by exporting and have achieved rapid internationalisation in multiple countries (Coviello, 2015; Knight and Cavusgil, 2004). Building on recent research by Stoian et al. (2018), mMNEs are firms that engage in entry modes with a higher foreign market commitment, such as subsidiaries, joint ventures, and strategic alliances. This study emphasises the ownership and partnership of the entry modes of mMNEs.

Overall, 31 firms fit the category of BGs/born-again globals while 17 fit the mMNEs category, also there are eight firms fit in both BGs and mMNEs categories. Notably, the majority of mMNEs in this sample achieved rapid entry into international markets. In addition, this study highlights firms as “service providers” rather than solely providers of a particular product. In line with previous studies, firms providing services to overseas customers/clients without a higher commitment to foreign market are identified as “service export” firms and differ from traditional export firms (Ekeledo and Sivakumar, 2004; Javalgi et al., 2004; Manning, 2013). Overall, 11 firms in this study are service providers, with nine achieving rapid internationalisation via service export in multiple countries (BGs), three engaged in high commitment foreign market entry mode (mMNEs), and one firm at the intersection between BGs and mMNEs. The pattern of firms in this study are presented in Table 4.1 (in appendix A).

Firms that choose different patterns of internationalisation utilise and combine particular sets of resources and capabilities, both internally and externally. The perceived usefulness of resources by entrepreneurs also differs across sectors. This chapter discusses the effect of each resource and capability on firms’ international behaviour. It also analyses the interactions among different external and internal resources and capabilities to show how these influence the speed and mode of international market entry among firms.

4.2 Internal resources and capabilities

4.2.1 Human capital

4.2.1.1 Education background

Entrepreneurs' level of education and the impact this has on the international behaviour of SMEs differs across diverse industry sectors. However, there are exceptions to this due to the influence of other factors. The empirical evidence shows that SME entrepreneurs in high-tech sectors, especially those with "new-to-the-world" technologies, are more likely to have a relevant educational background and a high level of education. For example, firms in artificial intelligence (AI) sectors tend to have entrepreneurs who hold PhD degrees and call themselves "scientist entrepreneurs". In line with Kriz and Welch (2018), new-to-the-world technologies usually face market and technological uncertainty and require a transformation from a scientific invention to sellable innovation. Firms that provide these technologies have a natural global vision as they need to find knowledge resources and market opportunities on an international scale at an early stage. In their business models, these firms research and develop the fundamental technology of the industry themselves rather than apply existing technology or, alternatively, bridge actual technology developers with market practice. The development of technological products requires a professional background and knowledge associated with the internationalisation of the firm; this is usually fostered with the support of universities and research institutions. Thus, these types of firms tend to engage in early internationalisation through international collaboration. For instance, as one founder explained:

> "We founding teams consist of people who have PhD degrees from oversea universities, for example Cambridge University…I understand that we can access better technological resources in foreign markets, and we seek market opportunities to commercialise these new technologies on a global scale." (Founder, SME 12, Blockchain technology)

Entrepreneurs in these types of firms have often received a foreign education and have close personal networks with foreign universities and research centres, particularly in developed countries such as the US, the UK, and Singapore. Previous

studies have found that entrepreneurs who have studied or worked overseas can affect the international expansion of BGs (Cannone and Ughetto, 2014; Ruzzier et al., 2007). The findings of this study also show that a foreign education enhances the global mindset of entrepreneurs and increases the possibilities of accessing and utilising international resources. Furthermore, the high level of education exhibited by entrepreneurs in high-tech industries tends to be associated with the innovation capability of firms. The skills and expertise they have acquired from their education means that entrepreneurs are more likely to develop an innovation capability that contributes to the internationalisation of high-tech firms. Thus, their educational background can indirectly influence the speed and mode of internationalisation through the provision of resources such as international entrepreneurial orientation, networks, and innovation capability.

While most entrepreneurs in high-tech sectors accumulate such knowledge and expertise from education, others acquire their professional skills and expertise from personal interests and experiences. Although it is less common to find entrepreneurs with a top level of education (PhD degrees) in other sectors, all the entrepreneurs in the sample held at least a bachelor's degree. For instance, one founder stated that:

> "My expertise lies in computer science, I have around 20 years' work experience in computer science related industries. However, I hold a bachelor's degree in mathematics. Computer science is my personal interest and I have been learning it by myself. It's all about accumulating experiences and knowledge." (Founder, SME 32, IT/software and equipment)

Other entrepreneurs also acquired knowledge outside of education after founding their firms. Indeed, some indicated that they and their firms have "grown up together" with the industry. As one founder explains:

> "My educational background is mathematics, but I have been always interested in the agriculture sector. I set up this company because I discovered a business opportunity in the market of lutein, which I initially didn't have much knowledge about. I had to find the right human resources who had the knowledge. At that time, the market was not mature, it was quite new and blank in China, so I kind of have grown up together with the industry and learnt everything from the beginning."(Founder, SME 16, bio-tech)

The “growing up together” process happens when entrepreneurs have identified opportunities in international markets that are lacking in their home country, but do not yet have relevant knowledge of these industries. By contrast, when the home market is already competitive and mature, entrepreneurs usually need to have the requisite professional knowledge and skills prior to the establishment of firms. The identification of foreign market opportunities, and the underdevelopment of the market in the home country, can boost entrepreneurs’ motivation to become the first movers in the international market, even if they face higher risks.

By contrast, firms in low-tech industries (for example, clothing and accessories manufacturing) tend to have entrepreneurs from various educational backgrounds. This is because, initially, a relatively lower R&D ability is required compared to other high-tech sector such as AI and medical equipment. In contrast to Liu et al. (2008), who claimed Chinese entrepreneurs have limited education and international experiences due to institutional obstacles, this study found that even entrepreneurs from low-tech industries usually hold qualifications from universities. This is supported by Yan et al. (2018), who found that Chinese entrepreneurs have a high level of education.

Although all the entrepreneurs in this study obtained their degrees from universities, the influence of educational background on the internationalisation of firms is rather indirect. For instance, it can provide resources that are important for early and high commitment to international activities. In effect, entrepreneurs’ educational background serves to complement other resources but does so independently as it has only a limited influence on speed and modes. This finding is reflected in current RBV literature which shows that resources can be versatile and generate other resources, and that different resources can be complementary (Kellermanns et al., 2016; Nason and Wiklund, 2018). Specifically, entrepreneurs who have obtained PhD degrees are more likely to start businesses in high-tech industries that require international technological resources, thus leading to a strong international orientation. This high level of education may also contribute to the development of innovation capability in firms. This is similar to findings in the existing literature where the educational background of founders/managers was found to enhance the innovation capability or innovation outcomes of firms (Kato et al., 2015; Romijn and Albaladejo, 2002). Furthermore, entrepreneurs who have studied abroad are more likely to have

a high international orientation and corresponding international networks. This is in line with Cannone and Ughetto (2014), who argue that the experience of studying abroad can generate knowledge of foreign markets and international propensity. These resources can directly influence the speed and modes of internationalisation among firms, which will be discussed in the following sections.

4.2.1.2 Industry experiences

In this study a direct relationship was found between entrepreneurs' industry experience and the speed of internationalisation among the SMEs analysed. Most of the BGs in the sample were international e-commerce retailers or wholesalers, and entrepreneurs indicated they had experiences in the same industry prior to starting their own businesses. According to these entrepreneurs, their industry has a relatively low entry threshold but is characterised by a high level of competition. Thus, industry experience is critical as it provides the knowledge and networks needed for firms to access international markets. For BGs who are international retailers/wholesalers, industry experiences enable entrepreneurs to understand the supply chain in the home market so that they can build networks with domestic suppliers and identify the needs and opportunities in foreign markets. Furthermore, these entrepreneurs tend to acquire knowledge of how to utilise external resources: for example, sales channels on e-commerce platforms are necessary for achieving early foreign market entry and rapid expansion. As one manager states:

> "I have worked in a large company in e-commerce retail before; I realised the job was not right for me in the long-term, but I really needed to learn how the industry works from there. I noticed there was a big market in this sector and I was always running between warehouses and the logistics offices to observe how the supply chain worked. You need to understand the whole process before starting your own business, otherwise you will not be able to survive and compete with your peers." (Manager, SME 29, e-commerce retailer)

Compared to firms in a nascent industry who may need to explore the path of internationalisation or exploit new international opportunities (Kumar et al., 2019; Manesh and Rialp-Criado, 2019), entrepreneurs of firms in mature and highly developed industries in China, such as cross-border e-commerce (Jean and Kim, 2019; Wang et al., 2016), take advantage of their industry experiences to facilitate

international activities. Such experiences were associated in this study with early entry by firms into international markets and the subsequent speed of expansion to other markets, especially among exporters. However, there was little evidence to suggest that entrepreneurs' experiences can affect firms' choice of entry mode into foreign markets.

Interviewees with BGs also revealed that cross-border e-commerce retail is a current market trend they are enthusiastic to follow. They described it as a "tailwind" that blows them towards international markets due to the high chances of making a profit. As a result, it is common for employees in the same industry to leave the company having accumulated appropriate industry experience and then start their own businesses targeting international markets. Similarly, the empirical evidence shows that traditional low-tech exporters with lower digital access also place high value on industry experience, which facilitates early entry into foreign markets. However, they are then more likely to follow an incremental path of expansion into international markets.

Most of the founders of firms in this study have previously worked in the same or similar industry, which has helped the internationalisation of local SMEs by promoting access to international markets. However, the empirical evidence also showed that some entrepreneurs in the "new-to-the-world" technologies sector perceived industry experience to be relatively less important. In contrary, Monaghan and Tippmann (2018) found that firms in the software-as-a-service (SaaS) industry can benefit enormously from industry recipes (that can be obtained from experiences) in terms of achieving a rapid and high-commitment mode of entry into foreign markets. They defined such recipes as a bundle of shared heuristics within a particular industry, which helps firms quickly acquire knowledge and face uncertainty, and serves as a substitute for a long experiential learning process. This study found that the industry experiences of entrepreneurs in nascent high-tech sectors can be substituted by other resources. This may be because the nascent industries are less likely to provide specific and mature industry recipes to follow. For example, an entrepreneur who described himself as a "scientist entrepreneur" working in AI firms had no industry or entrepreneurial experience prior to starting his firms However, his level of education, professional skills, experiences studying abroad, and international networks were sufficient to ensure their internationalisation. As one manager explains:

> “When our founder was doing his PhD in the US, his supervisor was a guru in the AI industry. His lab was one of the most famous 4 labs in AI research worldwide. During his journey of study he gained the skills and knowledge that are core for the development of AI. He studied in the US and then went back to China to start his business. Before he came back to China, he had always been a scientist and had not worked in the industry at all. However, he already had his reputation and networks in the research area in the USA.”(Manager, SME 31, AI/software system)

Like the existing RBV literature, which shows that industry experience is a non-versatile resource whose replication is chiefly restricted to industry boundaries (Nason and Wiklund, 2018), this study found that the use of industry experiences by entrepreneurs is limited by the characteristics of the industry. For example, the knowledge and business networks entrepreneurs have accumulated from industry experiences are largely industry related. Although this study found that such experiences appear to be vital in enabling firms in mature industries to achieve rapid internationalisation, there is no clear evidence for its importance in emerging industries and it can be substituted by other resources. Like Manesh and Rialp-Criado (2019), this study found that resources such as educational background, international experience, and international networks may be more significant for entrepreneurs in influencing the speed of internationalisation in infant industries.

4.2.1.3 Entrepreneurs’ networks

Firms across various industries highlighted the importance of entrepreneurs’ networks; however, they gave different priorities to specific types of networks. Both domestic and international networks were perceived as beneficial for the rapid internationalisation of firms. Building on the existing literature, which highlighted the significance of network resources in internationalisation (Coviello and McAuley, 1999; Hernández-Carrión et al., 2017; Moen and Servais, 2002; Mort, 2006), especially in overcoming financial and human resource constraints, this study found that network resources not only enable effective access to foreign markets, they can also be leveraged to overcome other scarce resources. The empirical evidence shows that entrepreneurs’ networks can facilitate the further development of human capital firms, formal relationships with business partners/ investors, or simply serve as a means of acquiring relevant

knowledge (Oviatt and McDougall 1994; Evald et al., 2011; Hernandez-Carrion, 2017). Thus, entrepreneurs' networks are critical for the early stages of start-up. Furthermore, they can facilitate knowledge flow between individuals or organisations through interactive activities, thus improving the speed of internationalisation. As one SME founder notes:

> "I worked in a collaborative office base before. I worked alongside the people who make games and have a global distribution team. People like us might need advice from each other, it is like knowledge exchange, but I do not think it is a formal inter-organisational relationship or network. The publishers on the other hand are a bit like agents, providing you with resources such as relationships with platforms to get featured, marketing, and production services to reach an international audience."(Founder, SME 2, video game)

Furthermore, the findings showed that the networks entrepreneurs have accumulated, both before and after they started their companies, can affect firms' international behaviour. This is in line with existing literature that claims networks in both pre-founding and post-founding phases contribute to the rapidity and engagement in high-commitment foreign market entry modes of internationalisation among firms (Bembom and Schwens, 2018; Evald et al., 2011; Zain and Ng, 2006). In particular, entrepreneurs who have developed personal and/or business networks from previous experiences can facilitate rapid initial entry into foreign market and the selection of modes. For example, "new-to-the-world" technology firms illustrate the importance of entrepreneurs accumulating personal networks prior to founding their firms. This aligns with previous findings indicating networks are key for high-tech firms in terms of opportunity exploitation and resource acquisition (Anderson et al., 2007; Vershinina et al., 2018; Wu, 2007). Moreover, entrepreneurs of "new-to-the-world" technology firms are usually returnee entrepreneurs; thus, international networks enable them to access resources and knowledge of foreign markets at an early stage. As one manager notes:

> "Our founder obtained his PhD degree at the University of California, Los Angeles (UCLA), and worked as a post doc at Massachusetts Institute of Technology (MIT), then went to a famous lab in New York to continue his research. Thus, we have access to technological resources in the US; our

founder also visits the research centres in US regularly to share and exchange information…" (Manager, SME 31, AI/software)

Benefiting from entrepreneurs' networks with foreign professional institutions, "new-to-the-world" technology firms often engage in first market entry through joint projects with foreign partners, such as a strategic alliance for R&D. The strong need for technological resources in foreign countries may lead high resource commitment to foreign markets, for example through international subsidiaries. Conversely, the founders/ managers of SMEs involved in manufacturing, retail, and wholesale of physical products perceive their networks with supply chain partners, such as suppliers and logistics providers, to be the most important for their international activities. In particular, the industry networks of entrepreneurs in low-tech sectors are vital for their rapid internationalisation, although there is little evidence to show that networks contribute to entry modes beyond exporting. The influence of entrepreneurs' networks on the internationalisation of firms is shown in Figure 4.1.

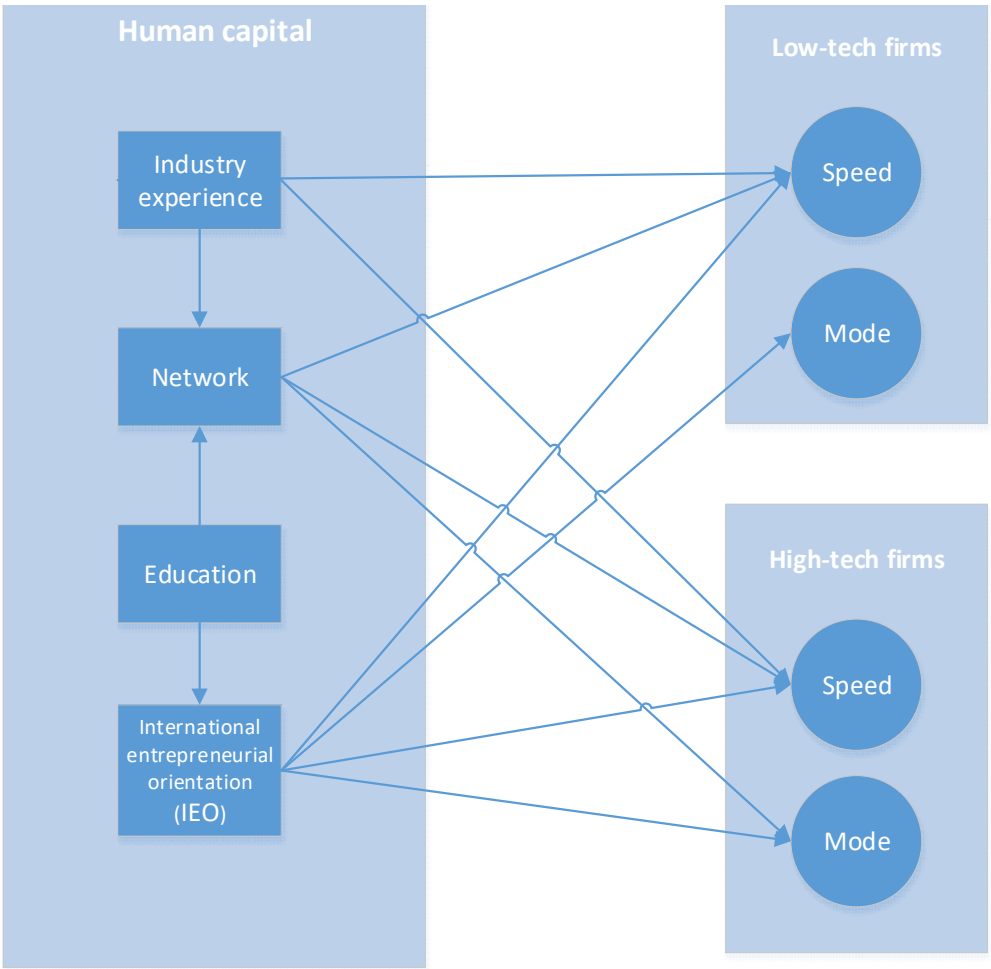


Figure 4.1: The Influence of Human Capital on the Internationalisation of SMEs

Furthermore, network resources are versatile as they can enable knowledge exchange, enhance firms' supply chain resources, and increase entrepreneurs' international orientation. Entrepreneurs' networks can be combined with different resources to create unique effects and can be redeployed for alternative uses. This is in line with existing RBV literature that addresses the versatility of human capital (Becker, 1964; Nason and Wiklund, 2018). For example, entrepreneurs' networks in low-tech industries combine with industry experiences and external resources to contribute significantly to the speed of internationalisation. Conversely, for firms in high-tech industries, entrepreneurs' networks can be combined with IEO and innovation capability to facilitate high-commitment modes of market entry. Entrepreneurs' networks are also a complementary resource for other internal resources, and bridge firms' resources with the external resources that contribute to their internationalisation.

4.2.1.4 International entrepreneurial orientation

In addition to tangible resources, intangible factors such as entrepreneurs' mentality and mindset also play a significant role in the international activities of SMEs. As discussed previously, the four-dimensional constructs of IEO are international orientation, innovativeness, proactiveness, and risk-taking. Specifically, the international orientation of entrepreneurs can influence the international strategies of firms and opportunity exploitation, thus affecting patterns of internationalisation. The literature on BGs suggests these firms often have a relatively strong entrepreneurial orientation and global mindset (D'Angelo and Presutti, 2019; Gerschewski et al., 2015; Jantunen et al., 2008; Knight and Liesch, 2016). However, the analysis in this study identified differences in the Chinese context as some BGs had limited entrepreneurial orientation yet still achieved early internationalisation with high international involvement due to the substitutive effect of other resources. For example, international e-commerce retailers exhibited relatively low proactiveness and innovativeness. However, they had a high international orientation and conducted early export through the utilisation of international e-commerce platforms and entrepreneurs' industry experience. The findings showed that international e-

commerce retailers that usually have a lower entrepreneurial orientation in low-tech industries focus on sales rather than on capability development and market research. Consequently, exporting through e-commerce platforms seems to be an ideal mode as it produces instant sales and such firms are usually focused on foreign markets from their inception. As one founder explained:

> "Our customers can be anyone, we mainly look at the products instead of segmenting the customers. For example, if I think this product is good, it will produce sales, I will provide more of it, to whoever can afford it. It is not like I identify a target group first, then think about what products I can provide to them. I mainly care about the overall needs in the market of my product type; for example, electronics are not restricted in terms of users' age or gender, so I don't really care about market segmentation. We usually check the data on Google to see the sales of different types of products, then we will make the judgement as to whether we should sell them" (Founder, SME 26, e-commerce/retail)

While retailers, highly dependent on e-commerce platforms, are more likely to emphasise sales and pay less attention to market segmentation, traditional retailers/wholesalers who are less dependent on e-commerce platforms are more likely to focus on understanding customers' needs and improving their levels of satisfaction. Dimitratos et al. (2016) also noted that international customer orientation can affect the scope of internationalisation (global or intercontinental) among firms. However, this study obtained slightly different results in the Chinese context, many retailers achieve multi-continental internationalisation by taking advantage of e-commerce platforms even if they demonstrate a relatively weak level of EO. This is because the infrastructure, sales channel, and marketing resources that e-commerce platforms provide can substitute the innovativeness and proactiveness of IEO. Furthermore, the rise of e-commerce platforms can enhance entrepreneurs' international orientation by reducing perceived barriers and distances from international markets.

By contrast, the entrepreneurs of firms in high-tech industries are more likely to have a higher level of innovativeness and proactiveness, and to focus primarily on product development. In this case, the modes of entry seem to be more diverse, such as

export, licensing, and strategic alliance. This corroborates Ripolles et al.' (2012) study which suggests that entrepreneurial orientation is associated with international market orientation, and that learning through this orientation can positively influence the resource commitment firms make to foreign markets. This study also found that high-tech firms tend to seek resources in international markets to support R & D, and these may need to be acquired from modes that involve collaboration with other stakeholders, such as strategic alliances. In line with existing literature (Dai et al., 2014; Felzensztein et al., 2015; Kuivalainen et al., 2007), this study found that the four sub-dimensions of IEO can have different and separate effects on firms' international behaviour, and such variation exists across both high-tech and low-tech industries.

The findings also reveal that "new-to-the-world" technology firms usually have high IEO. The entrepreneurs of these firms focus primarily on R&D and innovation, and the majority of their international activities are conducted to serve this end. Similarly, Yamakawa et al. (2008) posited that firms tend to internationalise from developing countries to developed countries when they demonstrate strong entrepreneurial orientation and there is high technological intensity within the sector. Moreover, a high level of innovativeness among entrepreneurs is usually associated with the innovation capability of firms, as entrepreneurs are more likely to emphasise product and technology development. Driven by their strong need to access international innovation resources, these firms tend to enter foreign markets through a high commitment foreign market entry mode, such as a strategic alliance or a foreign subsidiary. Although the scope of their internationalisation is limited, as they are targeting countries with high innovation and technological resources, they are more likely to access global resources at an early stage rather than initially establishing themselves in domestic markets. A partnership or collaboration with renowned organisation in developed and highly innovative countries can also enhance firms' image in the home market, endorsing their products to give them credibility in the industry. This is in line with Hsieh et al.'s (2019) claim that firms internationalise from emerging economies to developed economies primarily to enhance their image and increase opportunities for learning, as shown in the following extracts.

> "As we are still at an early stage, we require lots of R&D and emphasise innovation. We have a collaboration with Microsoft and knowledge sharing experience with Google: our founder highly values this type of relationship. We

also have a foreign office in Singapore that has made it easier to access technological resources there and try to open the market. It is also important for us to take part in some technological projects and competitions hosted by reputed research institutions in the US; it helps us show our company to a wider audience and enhance our image." (Manager, SME 31, AI/ software)

"Our international activates are mainly strategic alliances on R & D, because we need global partners to build the system together. These international projects are like co-innovation, we need to set nodes on our chain globally and we also need the support from other professional institutions to validate our transaction."(Founder, SME 12, Blockchain technology)

The IEO of entrepreneurs can influence firms' strategies towards internationalisation and can vary across different sectors. Two facts emerged from the empirical evidence: firstly, low-tech sectors, especially international e-commerce retailers, are more likely to be profit-driven and usually have lower levels of innovativeness and proactiveness. This is in line with existing literature showing that profit-driven entrepreneurs are less likely to be proactive, risk-taking, and innovative (DiVito and Bohnsack, 2017; Wong and Saunders, 1993). These entrepreneurs perceive higher opportunities and lower barriers in international markets due to the resources provided by e-commerce platforms. Thus, these firms may neglect market segmentation and research on consumer's behaviour. At the same time, the support of e-commerce platforms and entrepreneurs' industry experience means that retail firms can achieve rapid international entry and expansion through high international involvement and a wide exporting scope. Although these firms commonly follow the path of internationalisation adopted by BGs and have a high level of international orientation, they may not have high entrepreneurial orientation. This differs from many existing IE studies that have found the speed and commitment of internationalisation to be associated with the level of EO/IEO (Cavusgil and Knight, 2015; Efrat and Shoham, 2013; Kuivalainen et al., 2007; Ripollés-Meliá et al., 2007). Nevertheless, this study found that entrepreneurs of high-tech firms, especially "new-to-the-world" technology firms, usually have strong IEO. As such, they tend to seek global resources to enhance innovation and R&D. A strategic alliance is a common mode for firms to adopt at an early stage as they need global partners to participate in co-innovative projects. Many firms therefore choose to set up a foreign office to access local technological resources.

The findings also show that, as an internal resource, entrepreneurs' IEO has a versatile quality as it fulfils various functions in the resource and capability configuration of firms. It usually acts as an antecedent of rapid and deep-level internationalisation, although its effects can vary depending on how it is combined with other resources and how it works in different industries. For instance, IEO is usually combined with entrepreneurs' industry experiences, networks, and external resources to facilitate rapid internationalisation, especially in low-tech sectors. However, it also can be partly substituted by other resources, most notably those provided by e-commerce platforms in the retail industry. IEO can act as a complementary resource for other internal and external resources to affect both the speed and mode of internationalisation across different industries. Notably, firms in high-tech industries usually need to combine IEO with capabilities to achieve entry modes with high international commitment, especially innovation capability and network capability. These capabilities will be discussed in the following sections.

4.2.2 Innovation Capability

This study investigated entrepreneurs/managers' perception of both the technical and non-technical innovation capabilities. The technical innovation capability refers to the ability to develop new products, services, operations, and technologies; while non-technical capability refers to the ability to conduct managerial and market development (Ngo and O'Cass, 2013). The empirical evidence indicates that both types of capability can be influenced by the human capital of entrepreneurs/ managers. This is in line with Wang and Dass (2017) who argued that manager's resources can affect the innovation capabilities of firms as a result of their innovativeness, and that the different backgrounds of managers may lead to different innovation outcomes. It is also in line with Mellett and Kelliher's (2018) assertion that human capital, including education, experiences and expertise, is critical for the development of innovation capability in firms.

To understand this influence, technical innovation capability was categorised into three levels: pioneer, developer, and follower (figure 4.2). Of these, the pioneer level has the strongest technical innovation capability, yet may present a relatively low non-technical innovation capability, such as marketing innovation. These types of firms are

able to develop new and advanced technologies but demonstrate less ability to commercialise the technologies. Firms at developer level are more likely to exhibit a balance between the two types of capabilities. Those at follower level may demonstrate relatively low technical innovation capability but high non-technical innovation capability. Consequently, follower firms may pay less attention to the development of new products, services, or technology, yet have relatively strong ability in terms of advertising and selling products. The synergy between technical and non-technical innovation capabilities can significantly affect firms' speed and entry mode of internationalisation, although it is not easy to achieve equilibrium between the development of the two.

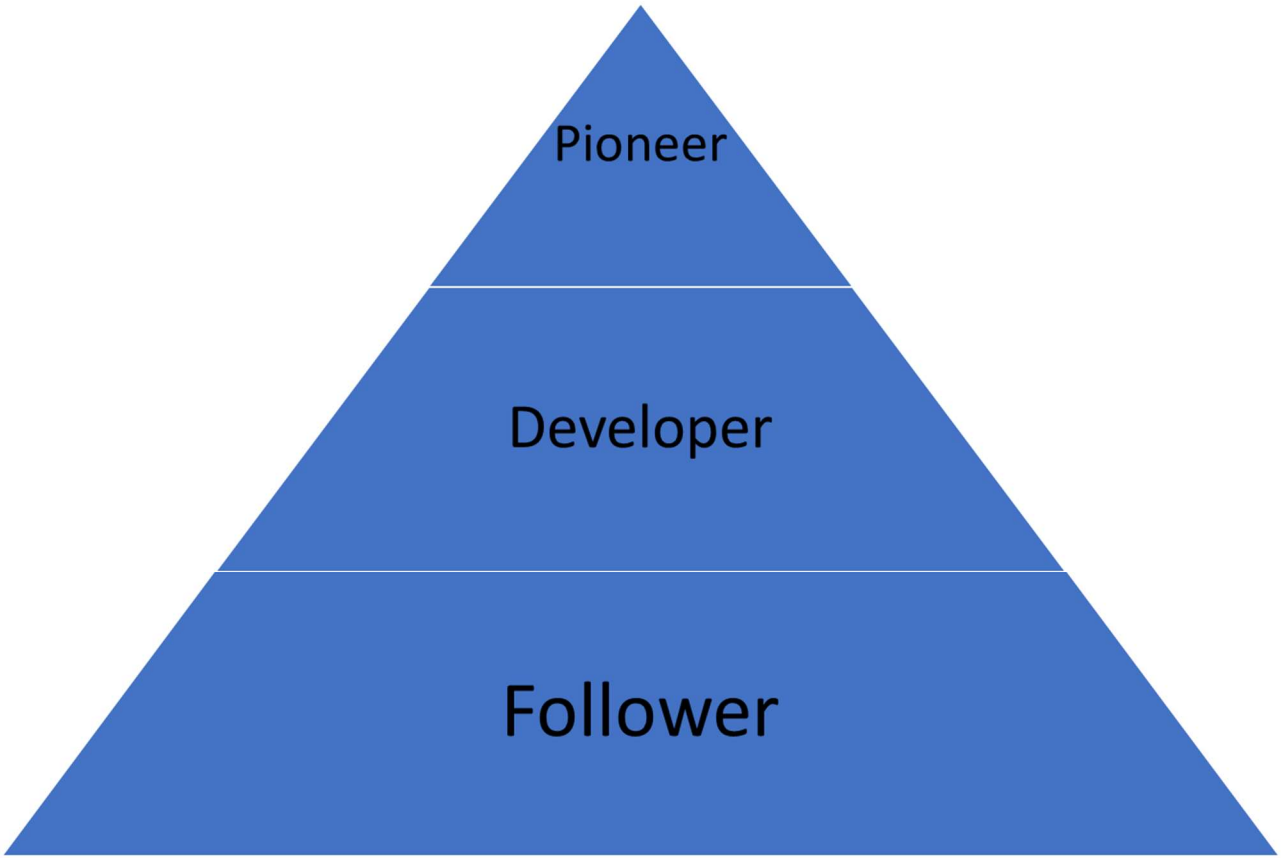


Figure 4.2: Three types of firms based on technical innovation capability

4.2.2.1 Pioneers

Five firms were categorised as pioneers in this study. These are usually high-tech firms that are enthusiastic in developing products, technologies, or even business

models that are new to the world or market. Thus, they usually face high risks and uncertainty in the current environment. They are more likely to invest heavily in the development of innovation capability and to emphasise long-term value and returns rather than short-term sales and profits. Entrepreneurs in these firms usually come from professional backgrounds and have relevant knowledge of their products. They will actively explore new possibilities for products and seek new market opportunities, whereas other firms focus on competing in the existing market. This is in line with recent findings by Hsieh et al. (2019), who contended that entrepreneurs' commitment to innovation may enable firms to achieve early internationalisation as well as obtaining a first mover advantage. As the founder of SME 12 explains:

> "Most of our investment goes on R & D. Personally I think innovation is based on the deep understanding of the situation; for example, if it is a new market, we need to deeply understand the form of the products, the commercial logic behind it, and the technological application. Thus we can come up with unique concepts that are different from what exists in the current market. We are not just writing bundles of new codes or providing solutions for clients, it involves an overall consideration of development, implementation, and application of the product/service, and that is our innovation capability." (Founder, SME 12, Blockchain technology)

Pioneer firms usually have high technical innovation capability; however, this does not necessarily lead to a high non-technical capability as this is not the prior focus of the entrepreneurs. For example, although five high-tech firms in this category concentrated on developing products and technology at an early stage, three indicated that the entrepreneurs initially overlooked the need for marketing strategies, networking, or even managerial development. Similarly to existing studies that claim the development of technical innovation capability can be beneficial for firms in the long run in terms of improving their competitiveness (Guan et al., 2006, Vicente et al., 2015), this study also found that pioneers emphasise the importance of building advantages from technical innovation capability as a long-term objective. Consequently, their international strategies are not directed towards the mass of foreign customers but foreign partners with whom they can collaborate for R&D purposes. This need can facilitate high-commitment foreign market entry modes at an early stage, especially strategic alliances and subsidiaries. As one manager explains:

> “We spend a lot money and energy on R & D; we are actually still at the exploratory stage in terms of commercialisation, our firm has been founded for 4 years but is still not really making profits. We currently focus on product development, and we are very advanced in technology; we see great market potential because our product can bring significant medical value. However, at the early stage we did not have an established marketing team or particular marketing strategies because our founder was a scientist who emphasised technological innovation and paid less attention to marketing communication.” (Manager, SME 33, AI/ software and medical equipment)

Such firms tend to exploit innovation resources globally through collaborations with international partners. It is also more common for them to seek international opportunities at an early stage. However, this may also lead to drawbacks; for example, they may struggle to “commercialise” their technologies. A technical innovation capability enables pioneer firms to utilise both their internal resources and external innovation resources to develop new products and technologies that can, in turn improve their international competitiveness. However, this study found that the strong focus of pioneer firms on technological development may threaten the speed of internationalisation, as will a lack of the non-technical capabilities needed to enable firms to develop effective marketing strategies for their products. Moreover, high-tech firms that emphasise product development exhibit differences in the earliness of internationalisation, as some have longer cycles for product development and foreign market penetration that may result in the postponement of first market entry. This is in line with Kriz and Welch (2018), who argued that the innovation capability of “new-to-the-world” technology firms and their focus on technological development can be a double-edged sword in terms of their internationalisation.

4.2.2.2 Developers

The second type of entrepreneur is the “developer”. These types of firms have relatively strong innovation capability with products, technologies, or business models that are more familiar to the market; their entrepreneurs are often but not always from a professional or related background. In comparison with Zhang and Hartley’s (2018) proposal that human capital such as proactiveness and networks can influence the development and impact of innovation capability, the findings in this study showed that

entrepreneurs in developer firms usually emphasise both technical and non-technical capabilities and are more likely to be found in high-tech industries. Thus, although developer firms may have technical innovation capabilities weaker than those of pioneer firms, they tend to maintain a good balance between technical and non-technical innovation capabilities. Their international strategies therefore normally involve both R&D with international partners and marketing activities using multiple channels. They are similar to firms that focus on an incremental innovation capability that modifies existing routines and capabilities (Möller and Svahn, 2003).

Furthermore, their products usually have a higher level of standardisation than those of pioneer firms and can reach a mass international audience. Exceptionally, some firms in low-tech sectors with innovative entrepreneurs may turn out to be developers if they invest highly in the R&D of products. This is in line with Hsieh et al. (2019), who suggested that entrepreneurs' innovation commitment is reflected in their investment in R&D. For example, a firm that produces food products may invest heavily in certain forms of technology to improve the quality or uniqueness of the product and stand out amongst their peers. Consequently, the foreign market entry of developer firms can be diverse and include exports, international licensing, strategic alliances, and foreign subsidiaries. This is illustrated in the following quote from one founder:

> "I would not exaggerate our innovation capability; we're still making something that is kind of similar to most products. But, due to the nature of making video games, it's a highly technical process. I do programming, so this often involves solving difficult or hard problems or even unique problems. For this, we rely on tools or solutions that are pioneered by other people, and bring them together in unique ways… So we have done a lot of R&D for this particular product which, in our world, is called pre-production. This is basically trying to find out what you're building exactly, and how you're going to build it… We use international social media for marketing, I think it is an important trigger for us as it is really powerful for connecting to potential customers and potential partners. We're having a lot of interaction with audiences on social media, where we are getting to know new people and discovering business opportunities."(Founder, SME 3, video game)

Compared to pioneers, developers are not aiming to develop products or technologies that are new to the existing market; instead they are innovating based on current technology and products that are already commercially successful in the market. Although existing literature indicates that entrepreneurs' education and expertise contribute to the development of innovation capability in firms (Kelliher and Harrington, 2018; Khan and Altaf, 2015), this study found that it may not be especially crucial in some cases. Specifically, there is a relatively lower requirement for a developer type of professional background for entrepreneurs, provided they have a certain level of innovativeness and can recruit human resources with the technological know-how to ensure firms' innovation capability. This study also found the level of innovation capability to be related to environmental uncertainty. This supports O'Connor and Rice's (2013) finding that radical innovation is linked to an environment with high uncertainty while incremental innovation is linked to one with lower uncertainty. Developers appear to face less market uncertainty compared to pioneers, whilst their entrepreneurs often have a relatively high entrepreneurial orientation. This is because entrepreneurs in developer firms usually aim to provide products that are distinct or valuable for the market rather than new, which requires a certain level of innovativeness, proactiveness, and risk-taking. This is illustrated in the following quote from an SME manager.

> "I did not come from a technical background, and what I did before starting this company was not relevant to this sector. I had been working in a financial department in a company, then I detected an opportunity in the 3D printing industry. I was personally interested in 3D printing and could see the industry was emerging. Thus I chose to start my own business in this industry, although I did not have the professional skills. As a founder, I don't necessarily have to have these skills, but there are definitely technical experts among the senior managers in my company. However, the R & D investment in our company is not overwhelming, we pay equal attention to developing technological innovation and building relationships with clients. We also maintain relationships with the industry media to enhance our publicity and image."(Manager, SME 15, 3D printing/ equipment)

This study found that pioneers seek global innovation and technological resources from their inception, which is in line with Kriz and Welch (2018) who argued that new-

to-the-world technology firms face high uncertainty and thus have a global vision and a need to seek international resources. Conversely, developers are more likely to perceive that they possess an abundance of innovation resources in the home country, thus their modes of international market entry are more diverse and include exporting, licensing, and strategic alliances. However, this study found that developers' international strategic alliances are more likely to include the sharing of marketing resources compared to pioneer firms. This is due to the need for both product and market development. Furthermore, rather than having "global sourcing" as the main purpose of early internationalisation (like the pioneers), developers primarily target international markets. According to Hsieh et al. (2019), firms internationalise from developing economies to developed economies primarily for the potential benefits of enhancing their reputation and the opportunity of learning. This explains the slight difference between the foreign markets firms choose to enter, as pioneers place a greater emphasis on knowledge and reputational resources while developers pay relatively more attention to sales.

Thus, developers focus not only on countries that provide resources but also on countries that need resources. Specifically, they acquire technological resources from developed and innovative countries while supplying or exporting resources to developing and less innovative countries. This aligns with the assertion by Wei et al. (2013) that an important motivation for firms in emerging markets to access developed markets is to obtain knowledge and develop innovation capability. While pioneers usually start internationalising to distant and developed markets, many developers initially choose to enter distant and/or close markets. Thus, the scope of foreign market entry and the selection of destinations can be significantly influenced by the level of innovation capability.

However, this study found that innovation capability does not always affect the speed and modes of internationalisation among developer firms, although it can have an influence when combined with other resources. For instance, both technical and non-technical capabilities empower developer firms to not only build international partnerships for R&D but to also target the international customers who are actually purchasing their products. Many developer firms in China can achieve early internationalisation, while others choose to first establish themselves in the domestic market where the technological resources and market base are sufficient. This study

also found that developers are more likely to engage in combined modes of entry including export, strategic alliances, and even subsidiaries. This is because they tend to develop both technical and non-technical innovation capabilities: the former increases their need to acquire technological resources on a global scale and facilitate international partnership or ownership, while the latter enables them to commercialise their products. Thus, they are able successfully engage in lower risks entry modes, particularly exporting. However, the speed of internationalisation among developers may depend substantially on the entrepreneurs' IEO, even if the firms show strong innovation capability.

4.2.2.3 Followers

The third type is "followers", which are firms that follow the market trend by identifying those products or business models that are currently popular or profitable. They have relatively lower innovation capability compared to pioneers and developers, although some may have a relatively strong non-technical innovation capability, especially in marketing. They also innovate according to market changes and follow some of the steps taken by companies with high innovation; they are also more likely to exist in low-tech industries. Indeed, modern Chinese entrepreneurial firms tend to be highly motivated or guided by the market trend. The term "tailwind" was often mentioned in interviews with firms and refers to current trends and opportunities (known as the "wind") existing in the market that can "blow" firms towards profits and future growth. Thus, while the IE literature highlights the "push" (by high domestic competition) and "pull" (by foreign market demand) effect, especially in BGs (Gabrielsson, 2005; Yan et al., 2018); this study highlights the "follow" effect. This underscores how firms follow certain types of international operations that are popular and profitable in an industry. For example, in recent years there has been a rising number of cross-border e-commerce retailers in China; many firms are now motivated to follow this model because they see great profits and opportunities arising from the experiences of their peers.

In this study, the majority of the sample were followers, including up to 23 firms in different sectors and comprising low-tech manufacturers (clothes, accessories, suitcases, and so on), retailers/wholesalers (both traditional and e-commerce

exporters), and service providers (including online and off-line services such as marketing, human resource recruitment, and business development services). Such firms are usually less proactive than pioneer and developer firms. Because most contemporary retailers are now incorporating e-commerce channels on digital platforms (such as Amazon, eBay, and Aliababa), the firms were divided into two groups: the first containing firms that started on digital platforms and the other containing firms that started from traditional exports and have less dependency on e-commerce platforms because their international activities are mainly driven by different types of "wind". The existing literature has shown that e-commerce platforms can significantly contribute to the export activities and success of Chinese SMEs (Anwar, 2017; He et al., 2017; Jean and Kim, 2019). Similarly, this study found that e-commerce acts as an external force (the "wind") that can "blow" (motivate, accelerate, or drive) the Chinese to enter international markets. The innovation capability of e-commerce retailers can also be driven by these platforms. The influence of e-commerce platforms was explained as follows by one manager:

> "Instead of an internal-driven type of innovation, it is more like the technological innovation of the platform has an influence on us, and the policy of the platform has most influence on us… All of these services, including the software we use, needs to be changed alongside the platform; if the platform has changed its function and policy, everything will need to be changed. For example, the updated algorithm of the platform can be seen as new technology, and it has a data policy that we need to obey when utilising it… There are also data on the platforms with which you can do market research: for example, the back-end data "CTR" (click-through rate), which shows you how many people actually click and check the products after they see your advertisement and promotion. Unfortunately, some sellers are not aware of these functions on platforms, or they don't actually know how to utilise the back-end data. Thus I believe we do have a certain level of innovation capability especially in marketing, even though it is highly associated with the platform itself." (Manager, SME 23, e-commerce retailer)

The non-technical innovation capability of e-commerce retailers can therefore be influenced by the platforms, especially for market communication, and helps firms reach global customers at an early stage. This is in line with Jean and Kim (2019),

who argued that platforms can positively influence firms' export marketing capability. Many firms innovate in parallel with the evolution of platforms and are more likely to internationalise rapidly. The boom in different digital platforms has also stimulated firms' development of various services. For example, live streaming platforms have experienced great popularity in China in recent years. This has benefited a series of entrepreneurs who are influential on these platforms, especially in the beauty and cosmetics industry. They rapidly attract international clients through strong networks of users and followers that fit the client companies' target market. Thus, a non-technical innovation capability supported by a digital platform can facilitate rapid internationalisation.

Although existing studies have found innovation capability to be a special asset that contributes to firms' international success (Calantone et al., 2002; Camisón and Villar-López, 2014; Guan and Ma, 2003; Wang and Dass, 2017), its influence on patterns of internationalisation is limited. This study found that firms' innovation capability can influence international patterns in terms of speed and mode. Furthermore, it can be influenced or complemented by different internal and external resources, such as digital platforms and entrepreneurs' human capital. Similarly, previous research has shown that innovation capability can be importantly enhanced by human capital (Mellett and Kelliher, 2018) and reinforced through collaborations with external stakeholders (Najafi-Tavani et al., 2018).

4.2.3 Network capability

The empirical evidence shows that network capability enables firms to access external resources controlled by different stakeholders to facilitate their internationalisation. This is in line with the current RBV and IE literature which has argued that the network capability of firms plays an important role in obtaining and exploiting external resources, and can positively influence international outcomes for (Bianchi and Mathews, 2016; Gulati et al., 2000; Parida et al., 2017; McGrath and O'Toole, 2013). Firms' network capability can be initially generated from internal resources and capabilities, as well as external resources such as the internet. Leveraging external resources can in turn enhance other organisational resources and capabilities. Thus,

the bridging effect of network capability plays a key role in the interaction between different resources and capabilities.

4.2.3.1 Entrepreneur infused network capability

The findings showed that entrepreneur's human capital can affect the network capability of firms. This is consistent with McGrath and O'Toole's (2013) claim that network capability is embedded in and influenced by individual entrepreneurs at the centre of their firms. Specifically, entrepreneurs' professional background, experience, networks, and entrepreneurial orientation were all found to influence firms' network capability. The professional background of entrepreneurs includes a relevant educational background and professional knowledge of their products and services. Such entrepreneurs are more likely to be aware of the available resources and networks to access. For example, technological entrepreneurs who graduated with a related degree will facilitate the firm's network capability by developing, maintaining, and utilising networks with research institutions and providers of financial resources (i.e., investors and government institutions). Furthermore, entrepreneurs' international experience can affect their ability to develop international networks. Entrepreneurs who have studied or worked overseas, especially in developed countries, have more knowledge and interest in foreign markets, which is helpful in developing international networks. Moreover, the networks they have already built in foreign markets means that the perceived foreign market barrier is lower; thus, they are more likely to foster international activities taking advantage of these networks.

Although entrepreneurs' networks can bring access to external resources, this does not necessarily indicate an ability to actually utilise these and develop new networks: a network capability is therefore required. This is a conclusion that has been reached in several empirical studies (e.g., Gulati et al., 2000; Parida et al., 2017). In line with McGrath et al. (2018), the current study found that network capability can be derived from networks through interaction with business partners. Zhou et al (2010) also found that entrepreneurial orientation can enhance firms' network capability Therefore, to generate network capability, networks of entrepreneurs may need to be combined with an entrepreneurial orientation. This study also found that the proactiveness and innovativeness of entrepreneurs can complement their experiences and network resources. Together, these can determine the function of network capability in relation

to internationalisation; for instance, in terms of whether they enable firms to utilise relationships with foreign institutions, business partners, or customers. For example, various international returnee entrepreneurs have studied in the world's top universities overseas, of whom only a limited number have exploited their relationships with the foreign universities. This is because firms only need to collaborate with foreign research institutions when they have a high level of innovativeness and an emphasis on global R&D. Firms with entrepreneurs who are highly innovative and proactive tend to actively seek such international opportunities at an early stage, even if these activities are not profitable in the short term. Thus, these firms often have a strong network capability in terms of building new networks with various global partners and can turn these relationships into internal advantages. The entry modes these firms select are usually for developmental purposes and are therefore more likely to be strategic alliances and subsidiaries. Furthermore, the innovativeness and proactiveness of entrepreneurs should not be separated from their experiences and networks, the latter of which often lead firms to particular destinations during internationalisation (scope) and determinate the types of relationships network capability will affect. As one founder explains:

> "I am not saying we are changing the world, but we definitely have the vision and see the perspective of the industry. It is a new concept not only in China but also globally; we want to be one of the first movers and have a seat at the table. Because this market is still forming, our international activities are mainly about R&D and conducted through different alliances. The current purpose of our internationalisation is not for profit but for finding like-minded partners to join us. Our team includes PhDs from world's top universities and I personally have studied abroad. The experiences have somehow enabled us to perceive the world's new technological changes very early and notice emerging areas. Thus we have an understanding as to what technological resources and networks we can access and where." (Founder, SME 12, Blockchain technology)

Instead of simply seeing international markets as sales destinations, network capability enables these firms to build a deeper level of international involvement (level of ownership or diversity of modes). By contrast, firms with a lower level of innovativeness and proactiveness tend to rely on networks that help them to rapidly

generate sales and profit. For example, the network capability of low-tech firms primarily enables them to build relationships with the foreign clients and customers who are actually purchasing their products or services. The development of their network capability also depends substantially on entrepreneurs'/managers' industry experiences and their knowledge of foreign markets. These accumulate over time, thereby continuously enhancing firms' network capability. For instance, one founder of an SME stated the following:

> "Before I founded this company, I worked for a company in the same industry which focused on imports. Then I noticed that doing imports was losing its advantage in China due to domestic technological developments, so I started my own company doing exports. In fact, China is basically now the world's largest exporter in our industry; my previous company also sent me to the oversea offices to work for a while. Thus I have gained a deep understanding of this industry, as well as knowledge of how to develop and maintain relationships with international clients. Our main approach to developing international clients is still quite traditional as it involves going to different trade fairs worldwide. Although the B2B platforms, for example Ali International, are allowing more access to international clients, we found face-to-face presentation and networking to be more effective in our industry." (Founder, SME 7, tire manufacturer)

Although many low-tech firms have lower levels of innovativeness and proactiveness compared to high-tech firms, this does not mean they generate a lower network capability. Rather, they have a different focus, which is on developing and exploiting relationships with international clients/customers. This study found that the IEO, together with entrepreneurs' experiences and networks, contributes to the development of firms' network capability towards international markets. Such a capability can also be complementary to IEO, which means that together they can contribute to rapid international market entry and advanced entry modes beyond export. This is similar to the finding of Wales et al. (2013), who found that network capability can optimise the influence of EO on firms' outcomes. In addition, entrepreneur human capital was perceived by interviewees as important for the enhancement of network capability across various sectors.

4.2.3.2 Externally facilitated network capability

Although many firms are able to enhance their network capability utilising internal resources, others require a boost from external resources. The internet typically plays an important role in improving access to resources for firms, and different digital platforms serve different resource needs. For example, firms that sell products directly to customers can benefit from internet resources to build network capability. This view is supported by Parente et al. (2018), who found that internet-enabled platforms provide large networks and marketplaces across the globe. The enormous pool of users (also known as an “online crowd”) on many platforms means that firms’ access to network resources can be improved. The large number of platform users generates “web traffic” (the number of web users that visit a particular webpage). This improves the efficiency of identifying and accessing customers and thus enhances firms’ ability to build customer networks. This is in line with existing research that suggests web traffic is key in succeeding in cyberspace as it can bring value to firms by building networks and attracting attention (Nikolaeva, 2005). The steady flow of web traffic is also vital in producing commercial value for a virtual community (Wu et al., 2010).

In addition to customer networks, the network capability of firms in building and exploiting business networks (e.g., with suppliers and distributors) can also be facilitated by internet resources. For example, B2B websites now exist for building business networks, examples of which include Ali International, Global Sources, and DHgate. Like Jean and Kim (2019), this study found that global suppliers, manufacturers, and retailers are able to connect via the access provided by B2B platforms. These not only provide online access for business networking; they can also host off-line activities such as trade fairs. Rather than regarding network capability building as an internally driven process, many firms in our study indicated that it is naturally driven by external technological development, most notably the internet.

Furthermore, industrial clusters also contribute to building network capability among firms. Such clusters can be geographically broader and more historical than industrial parks. Furthermore, the geographic location, cultural, and historical influences provide particular advantages for clusters. For example, Zhejiang is known for having clusters of international trade and export, and an international wholesale and retail market, echoing the findings of Avgerou and Li (2013). The networks these clusters provide

are not just inter-organisational business networks, they are also international logistics networks that form the infrastructure of the area. These highly developed networks improve the effectiveness of export and reduce the perceived difficulty of accessing international markets. Existing literature suggests that although cluster-enabled network ties can positively affect outcomes, firms should also develop non-local connections that allow them to access distant resources (Li et al., 2013). Similarly, this study found that firms can leverage cluster resources to develop a network capability that extends beyond these clusters. Clusters can facilitate knowledge exchange across firms regarding international markets, which provides another means for enhancing network capability, and bolsters the global mindset of entrepreneurs.

In summary, a firm's network capability can directly influence its international expansion by developing and exploiting networks to enter foreign markets. It can also indirectly influence internationalisation by enhancing access to the home market resources needed in the pre-entry stage. An international network capability enables firms to rapidly enter foreign markets with different modes depending on the types of relationships they develop and exploit. For example, relationships with research institutions usually lead to strategic alliances, while relationships with end users or customers may be associated with exports. The development of firms' network capability can be facilitated both internally by entrepreneurs and externally by leveraging the resources of other stakeholders such as digital platforms and clusters.

Network capability is crucial for the speed of internationalisation in high-tech firms; it also plays a role in bridging a firms' internal resources with external resources, which aligns with extant studies (Kale et al., 2002; McGrath and O'Toole, 2013; O'Toole and McGrath, 2018; Walter et al., 2006). This study found that network capability enables firms to effectively develop international networks with foreign clients or business partners and access global resources, thus improving the speed with which foreign markets are entered. This is in line with existing literature that indicates a network capability can contribute to earlier internationalisation (Zhou and Wu, 2014; Zhou et al., 2010). Furthermore, knowledge-intensive service providers also place great value on network capability as their business model may depend heavily on their relationship with foreign clients. Although many entrepreneurs already have international networks, it is network capability that enables them to utilise these and transform them into business practice.

Furthermore, network capability is also essential in enabling high-tech firms to engage in market entry modes with high commitment. Like Zhou and Wu (2014), this study found that firms with deep international involvement are more likely to be able to interact with foreign stakeholders. When firms see international markets as more than just a sales destination, they are more likely to collaborate with foreign partners or share ownership with an overseas body or project. In such cases, network capability helps firms develop collaborative relationships with international partners in order to acquire resources such as knowledge. This is in line with Vesalainen and Hakala's (2014) finding that network capability includes the ability to collaborate with external partners. However, it usually complements human capital to have a considerable influence on entry modes. Similarly, researchers have found that network capability can complement other capabilities or helps firms develop other resources and capabilities, and therefore should be studied jointly with other factors (Vesalainen and Hakala, 2014; Yang et al., 2018).

Although network capability can be driven internally, some firms develop their network capability through the support of digital platforms. In line with Parente et al. (2018), this study found that digital platforms provide networks, technology infrastructure, and a marketplace for firms, especially those who are selling virtual products to customers, thereby indirectly improving their network capability. As a result, firms can achieve rapid entry to international markets. However, even if digital platforms naturally provide a global marketplace, firms can also perceive entry barriers due to cultural and language differences, which lowers the speed of first market entry. Indeed, Shaheer and Li (2018) found that the international penetration of digital firms may still suffer from cultural, administrative, geographic, and economic distance. Although external factors such as digital platforms can facilitate firms' network capability and increase the speed of internationalisation, they have limited influence on the modes. Furthermore, an externally facilitated network capability depends heavily on external stakeholders' resources. To achieve deeper international involvement and collaboration, firms therefore require strong IEO and an internally developed network capability.

4.3 External resources

4.3.1 Government support

Previous studies have found that resources held by external stakeholders can provide important support for firms in emerging economies, especially in China where government policies play a considerable role in enhancing the international operation of firms (Hoskisson et al., 2000; Li and Zhang, 2007; Lu et al., 2010; Yan et al., 2018). The significant changes undergone by the Chinese economy in recent decades, including the economic reform (in 1978) and the "One Belt One Road" (in 2013) and "mass entrepreneurship and innovation" (in 2015) initiatives, have all influenced the international activities of firms (Huang 2016; He et al., 2018). The current study found that the influence of government-enabled resources on Chinese SMEs can be divided into the impact on pre-internationalisation and on on-going international activities. The perceived importance of these resources also differs across varying types of firms and entrepreneurs. The empirical evidence suggests that the influence of government resources on the internationalisation of Chinese SMEs can be divided into three main aspects: the influence on firms that engage in export activities, the influence on firms in the high-tech industry; and the influence on firms with returnee entrepreneurs (studied and/or worked in foreign countries).

4.3.1.1 Government support for export activities

Since its economic reform and "open up" policy, China has been gradually opening its market and encouraging firms to engage in international activities (He et al., 2016; He et al., 2018; Luo et al., 2010). In the early 1990s especially, the government provided noticeable support for export activities and, in the early 2000s, private firms and SMEs were finally given legal rights to export. Although the government has offered various kinds of support for internationalisation, such as low interest rates, reduced taxation, and improved efficiency of procedures (Li and Ding, 2017; Wang et al., 2012), our empirical evidence shows that the strongest benefits perceived by exporters include the export tax refund, cluster resources, and export services. These policies encourage firms to export, whereas the products of firms need to be included in the set product index to obtain a tax rebate and the rates differ. The Chinese government also helps lower the risks of export by offering export credit insurance through the state-owned China Export & Credit Insurance Corporation (CECIC).

The policy of the government not only makes available the external resources of supply chain, networks, and facilities, it also enhances the internal human capital of firms, particularly that of entrepreneurs. This study found that the support in terms of export tax, administrative procedures, and industrial clusters can significantly enhance entrepreneurs' motivation to go global, their international orientation, and their confidence in foreign markets. Government-enabled external resources together with firms' internal resources can therefore make an important contribution to the early and rapid internationalisation of SMEs. More recently, in the early 2010s, "go global" encouragement again stimulated the export activities of SMEs. Thus, in this section we divide the BGs in the sample into older BGs (firms 10 years old and over) and young BGs (firms under 10 years old) to better understand how policy changes have affected their internationalisation. Some firms were founded in the late 1990s and early 2000s and have witness the revolutionary changes; while younger firms founded in or after the late 2000s provide a slightly different view.

Although young BGs in China have been widely studied in the IE literature, elder BGs require greater attention due to the unique context within China. In light of the "economic reform" and "open-up" policy in recent decades, firms who have experienced the transition period may provide a valuable perspective on the internationalisation of Chinese SMEs. Furthermore, changes in international trade policy have been accruing and are marked by different government initiatives (i.e., "Go global" in 2001 and "One Belt One Road" in 2013). Thus, firms have only been allowed to privatise since 1979, directly export since 2001, and invest abroad since 2003 (Gao et al., 2010; Wei et al., 2014). Empirical evidence shows that these policy changes have influenced export activities. Existing studies have also highlighted the considerable growth in China's export sector, and the emergence of Chinese SMEs is now playing a key role in contributing to international export markets (Yan et al., 2018). There were eight older BGs in the sample, all of whom followed the path of BGs with 4 also fitting into the mMNE pattern. Most achieved rapid foreign market entry (within 3 years after inception), except for two who were considered born-again globals. Noticeably, two firms had changed ownership from SOE/public institution to private-owned businesses during the reform period. Two managers of SMEs described the circumstances thus:

> “Our company used to be a state-owned enterprise, then the SOE reform happened and we were transformed into private-owned. We started exporting in 1997, thus we are a quite mature international trade company although we remain medium size. The policy has motivated firms to privatise and internationalise by themselves, we didn’t have these rights before. Domestic policies also had a big impact on us, for example the change in tax policy and interest rate will affect our profits and the profits from tax refund. Especially the export tax refund, which is the VAT tax you can claim back if you export, this has been very convenient for us. It’s the profit, flexibility, and convenience enabled by the policies that built our motivation and orientation to go international. However, there are different rates of tax return on different types of products and time periods, for example the tax on plastic products used to be 10% and is now 15%” (Manager, SME 23, manufacture and retailer in clothing and accessories)

> “We are a family business, my grandfather worked in a state-funded college in 1985, and then he had the opportunity to spin off from the college thanks to the economic reform. At the beginning he founded a business school, then registered an international trade company in 1997. We had very rapid market entry, but our speed of expansion was incremental; we started from exporting then set up oversea subsidiaries after having built a certain volume of sales. We have had a close relationship with government institutions too, because they want to promote international business for the local area and we can help with that. There are various polices now to support international trade including export tax refund and benefits on other types of tax.” (Manager, SME 38, manufacture and retailer in clothing and accessories)

The evidence shows that the economic reform and ‘open up’ policy significantly influenced the pre-internationalisation stage of firms by boosting entrepreneurs’ motivation and orientation to engage in international activities at an early stage. Entrepreneurs perceived an opportunity for profit in international markets and lower barriers in the domestic market and this increased their determination to go abroad. During on-going international activities, firms then enjoyed the benefits of a taxation policy that encouraged them to commit to export activities; although the rate of tax refund fluctuates during different periods. This revolutionary policy change has

become the key antecedent for the rise of China's instant exporters, a large number of whom are spin-offs from SOEs. There are also some mature exporters who have a low perception of the impact of government policy on the speed of foreign market entry; for these firms the impact of government support was substituted by other resources. For example, the manager of SME 1 stated that early and/rapid internationalisation was enhanced by the entrepreneurs' family network and industry experiences. SME 15, a born-again global, stated that it was the international network facilitated by the internet that had encouraged their market entry and the speed of international expansion. Similarly, the manager of SME 32 pointed out that it was entrepreneurs' overseas experiences and international networks rather than government support that facilitated their early entry to foreign markets.

Apart from older BGs who are motivated by the government policy on international trade, a number of young BGs have emerged in recent years and are playing an increasingly substantial role in China's export sector. According to Yan et al. (2018), exporters have been encouraged to increase their level of international involvement, especially since the 'One Belt One Road' initiative. Furthermore, the export sector has witnessed the boom of international e-commerce retailers as a result of the growth in digital platforms. The majority of BGs in the sample were below 10 years old, and 9 were 6 years old or under (see Table 3.3). There were 18 younger BGs in total, most of whom, especially those born in the 2010s, perceived the recent 'One Belt One Road and 'Mass entrepreneurship' initiatives and innovations as contributing to their internationalisation. However, the influence of these policies has been complemented by the rise of e-commerce and digital platforms. Exporters six years old or younger are mainly e-commerce retailers, yet still perceived government-enabled resources to have facilitated their international activities, particularly financial resources (tax benefits), network resources (with industrial clusters or parks), and logistics resources (the bonded area and port facilities). Furthermore, insurance and guarantee services for export activities have encouraged risk taking behaviour among firms towards international markets as they provide solutions for tackling these risks. The effect of government policies on SMEs is illustrated in the following extracts:

> "Since the 90s after the economic reform, the government offered benefits for exports in terms of tax refund; we can enjoy a VAT refund if our products fit in the index of tax refundable goods, and the rate of tax fluctuates over

time…however if your products fall out the index, for example products that cause high pollution, then you cannot enjoy the tax benefits. The government also provide the services for us to control export risks by setting up insurance organisations to guarantee our export activities. I set up this company in 2007 and started exporting immediately. Because our products happened to be listed in the index of tax refund, and always have been, the government encourages our type of products to go abroad and join the international competition." (Founder, SME 16, bio-tech)

"Our company was set up in 2015 and started exporting from the beginning, motivated by the government's strategies of "One Belt One Road" (since 2013) and "Mass entrepreneurship and innovation" (since 2015). During this period, numerous firms became involved in cross-border e-commerce activities in our region because of government encouragement. One important regional advantage we have is the tariff-free zone (known as the bonded area) in Ningbo, where there are usually large numbers of orders during promotion days. Among Shenzhen, Guangzhou and Zhejiang, I think currently Ningbo has the biggest amount of orders going through the tariff-free zone. It is incredibly high in demand, because so many firms are doing it nowadays. The facilities in the tariff-free zone and port are really good and have strict standards for our export procedures. The custom staffs can easily track and check our goods using the electronic logistic system. Overall, it has improved the convenience and quality of our export activities." (Manager, SME 24, e-commerce retailer)

According to the empirical evidence, the export tax refund has been a powerful source of encouragement for firms' export activities. However, it can only work if products are included in the government index of refundable types of goods. Thus, for BGs who are selling products with low or no tax refund benefits, the tax policy makes little contribution to their international activities. Furthermore, the facilities and system in the bonded area enhance the logistics resources firms can enjoy and boosts their motivation to export. This is particularly beneficial for firms in regions with tariff-free zones such as Zhejiang and Guangdong. Although the tax policy has existed since the 'open up' policy, and the tariff-free zone was set up in the 90s, more recent government strategies and encouragement have driven another wave of exporting by SMEs. The encouragement for cross-border e-commerce retailer's means they not only benefit

from the logistic resources and administrative services, they also enjoy the physical facilities and networks the government provide in the clusters and industrial parks, as one SME founder describes:

> "The government does encourage cross-border e-commerce sellers; to provide you with the working space, they have the industrial parks for e-commerce businesses, they provide 2 or 3 years free renting, and there are lots of firms already working here. Also in the area there are many logistics firms who are part of the ecosystem. "(Founder, SME 26, e-commerce retailer)

Consequently, a vast number of young BGs in China who are cross-border e-commerce retailers emerged around 2015 due to the rise of digital platforms and the resources provided by the government. The latter includes tangible resources such as tax refunds, logistics, and office facilities; and intangible resources such as industrial networks, entrepreneurs' international orientation, and motivation. This has had both a direct and indirect impact on the speed with which firms have entered international markets and their level of intentional involvement.

In addition to the encouragement the government provides for SME internationalisation, there are restrictions in the domestic market that can also "push" SMEs to seek foreign opportunities. For instance, several existing studies have claimed that the competition within and limitations of domestic markets can lead to a "push" effect on firms to pursue international opportunities (Hutchinson et al., 2007; Yamakawa et al., 2008; Yan et al., 2018). Thus, both government support and regulation/restriction can facilitate the international activities of Chinese SMEs. For example, the export and import policy may increase the price of raw materials in the domestic market and increase production costs, pushing firms to seek international alternatives. Factors such as the government's increasing awareness of environmental issues may also have a substitutive effect on domestic manufacturers and their international activities and has driven recent policy changes towards international activities among firms. For example, some have set up factories in foreign markets to access local materials at a lower cost and avoid the restrictions of the home market. As one founder explains:

> "China used to import lots of industrial waste such as plastic, metal, and paper waste from Western countries, which can be processed as raw materials with

> low cost... However, the recent policy regarding environmental protection has forbidden these waste imports, thus lots of domestic manufacturers lack raw materials… One of the solutions is to set up factories in other countries, particularly Southeast Asian counties such as Vietnam, and some East European countries. Because their governments do not have restrictions on waste imports, the raw materials are cheaper. That is why some firms in our industry are collaborating with us to expand our factories to other countries." (Founder, SME 7, tire manufacturer)

Although restrictions in the domestic market may push firms to seek foreign resources and engage in modes beyond export, it can also have a negative influence on the internationalisation of firms. For example, recent policies regarding environmental protection have facilitated higher international commitment among some firms, while others may suffer from interruptions to the supply chain, higher production costs, and higher export tax, which may harm their motivation and international orientation. Furthermore, manufacturers may face an additional export tax, known as the "green tariff", if their production causes high pollution and leads to high energy consumption in the domestic market. Its purpose is to save energy and eliminate outdated production capacity; however, it may threaten the survival and growth of firms with respect to their international operations. For retailers, it may affect their suppliers who are mainly factories and manufacturers. This will cause problems for supply chain resources and reduce the efficiency of their international activities. As one founder and one manager of SMEs explain:

> "If the products fall in the government's index of export encouragement goods you can enjoy the benefits of an export tax refund… However, if the product causes pollution and environment issues, the government will not only refuse to refund your tax, they will raise the tax. For example, the export of steel in the previous years." (Founder, SME 16, manufacturer in biotech)

> "The environmental policy has had quite a significant impact on us, for example they shut down whole factories if they cause too much pollution and send some machines to clean the pollution. In such case, our orders can experience significant delays in the delivery date, and this could disable our supply chain. Many small firms can die from this, because they have very high dependency

on supply chain resources, while bigger firms usually have a higher chance to survive. However I think it is good for the long-term, because it improves the environmental mechanism… eliminates dysfunctional firms and can normalise the factories." (Manager, SME 23, retail and wholesale)

Thus, government regulation acts as a double edge sword. On the positive side, it can improve the efficiency and normalisation of the industry. From a more negative perspective, it can create obstacles to production, supply chain operation, and exporting. Although it may facilitate higher commitment to the international market such as subsidiaries and FDI activities, it is an "escape" strategy rather than a self-driven need for deeper international involvement. Furthermore, in line with Deng and Zhang (2018), it is the encouragement policy and benefits provided by the government rather than restrictions that boost the international propensity of exporters in China.

In contrast to the classic view of internationalisation which suggests that firms start exporting from geographically or psychically close markets (Johanson and Vahlne, 1977), the empirical evidence shows that most Chinese SMEs actually start from markets farther away, especially in more developed economies such as Europe and America. Previous studies have suggested that firms choose to internationalise from emerging economies to developed economies due to the competition in home markets, technological intensity of the industry, organisational learning motives, and so on (Hsieh et al., 2019; Wei et al., 2013; Yamakawa et al., 2008). However, this study identified another important motive for Chinese SMEs to enter developed economies, which was China's advantage in being the "world factory" and the cost advantage of its products. Nevertheless, there are firms that follow the BGs approach in starting from closer markets, particularly in the infrastructure and energy sectors. In such cases, government policy plays an important role in the speed of internationalisation. The empirical evidence shows that the recent 'One Belt One Road' initiative has boosted the international activities of firms that provide infrastructure and energy products, especially to the markets of Southeast Asian countries and developing countries, as explained by one manager of an SME.

"We have been exporting since 2010, mainly to countries in Southeast Asia, Africa, and Middle East. Due to our particular product type, which is electric power equipment, we do not have much advantage compared to manufacturers

in developed countries, so we tend to focus on more close markets and developing countries. Also, the government has been supporting the development of infrastructure in African countries and our neighbour countries, for example Pakistan, thus our products are targeting those markets. Although the recent 'One Belt One Road' initiative mainly contributes to large companies, SMEs that sell infrastructure, construction, and energy products like us also benefit from it. We find it is helpful to follow this direction and export to the countries along the 'road'."(Manager, SME 10, manufacturer in power supply equipment)

Although some firms have therefore pointed out that the 'One Belt One Road' initiative mainly benefits SOEs, SMEs in construction, infrastructure, and energy sectors have found it creates opportunities for them in foreign markets, especially countries involved in this initiative. It does not directly assist their international activities, but it does provide the transport infrastructure, enhances entrepreneurs' international propensity, and increases the speed of market entry. Furthermore, the policy and encouragement of government has guided SMEs towards entering markets. However, it has had a limited influence on broader types of SMEs such as retailers, manufacturers of consumer goods, and high-tech SMEs. In contrast to railway transport, most exporters prefer sea and air transportation. Noticeably, except in certain sectors such as energy and construction, Chinese SMEs generally export to developed markets at an early stage rather than follow a gradual process of internationalisation that starts from close markets.

4.3.1.2 Government support for high-tech firms

While government policy clearly affects the speed of internationalisation of low-tech BGs in China, the influence on high-tech firms tells a slightly different story. Rather than having a direct impact on the international activities of Chinese SMEs, government policy appears to influence the resources needed for internationalisation. Existing studies have shown that government can indirectly enhance firms' capabilities and provide the resources to improve their international competitiveness (e.g. Sheng et al., 2011; Zhang et al., 2016). Similarly, this study found that government policy can enhance firms' internal resources including individuals' international entrepreneurial orientation, firms' R&D activities, and networks. The government also provides

resources needed in the pre-internationalisation stage such as funding, facilities, and an entrepreneurial environment (such as incubators, clusters, and industrial parks). More recent policies, especially “Made in China 2025” (State Council of the People's Republic of China, 2015), have placed an even greater emphasis on the importance of high-tech firms, both in domestic markets and global competition. Although there is little direct influence of government policy on the internationalisation of high-tech firms, it nevertheless encourages entrepreneurship activities and enhances the motivation of high-tech firms to go abroad. Thus, the role that government policy plays in this respect is that of an antecedent for the international and entrepreneurial activities of such firms. The manager of one such firm elaborates on this:

> “One of the important sources of our capital is government funding, because we are still at an early stage that focuses on R&D and are barely making much profit. The funding includes the R&D funding and corporate supporting funding, meanwhile we enjoy some benefits on tax such as corporate tax reduction. Not only the money but also the facilities in this tech zone, which is this whole area, is provided by government. High-tech firms can use the offices and facilities for free… The technological development has been an important focus for the government in the recent years, it was led by many government departments such as the Ministry of Science and Technology (MOST), National Development and Reform Commission (NDRC), and the State Council. There are several large amounts of funding that organisations can apply for in order to carry out R&D.” (Manager, SME 33, AI system and medical equipment)

Although previous studies have suggested that the government has a limited or even negative impact on the innovation outcomes of Chinese SMEs (Hong et al., 2016; Zeng et al., 2010), this study found that government support can enhance SMEs’ innovation capability through financial support for firms’ R&D activities. Indeed, for “new-to-the-world” technology firms who struggle to commercialise their products and make a profit, government funding may enable them to survive. Moreover, instead of continuing its role as a “world factory”, the government aims to improve the global competence of Chinese high-tech firms. This is illustrated in the following quote from an SME manager:

> “Now is an investment period for technological development in China, because our GDP growth has reached a certain level, there is the need to develop technologies in order to enhance global competitiveness. Thus, the government came up with the ‘Made in China 2025’ initiative, especially for leading high-tech industries like AI, Blockchain technology, and aerospace. The regional governments take this seriously, actively support high-tech firms like us. And encourage firms to expand globally. However, there are still many bubbles in today’s AI industry, the strength of government support depends on how they evaluate the industry and the company.” (Manager, SME 31, AI software system)

Although the government supports R&D in high-tech firms and encourages their internationalisation, such support can sometimes be difficult to obtain. According to entrepreneurs/managers, this is because the process can be complicated and requires a certain level of network capability. Without this, the relationship with a government might be difficult to manage and the efficiency with which resources are utilised can be poor. Thus, network capability can complement government resources. Some entrepreneurs also perceive high opportunity costs when claiming funding from the government and thus tend to obtain funding from other sources, usually venture capital. However, many entrepreneurs perceive that government policies enhance their motivation to engage in technological development and join global competition.

4.3.1.3 Government support for returnee entrepreneurs’ ventures

Building on the findings of existing studies (Kenney et al., 2013; Liu et al., 2013; Lin et al., 2016), this study found that government policy can support the internationalisation of returnee ventures in several ways. For instance, working space, facilities, corporate tax reduction, funding, and allowances were heavily promoted by the government in 2015 alongside its ‘Mass entrepreneurship and innovation’ initiative. As well as tangible resources, this study also found that government support can also enhance entrepreneurs’ IEO. However, the benefits are mainly perceived by entrepreneurs of high-tech new ventures, especially those who lack funding for R&D activities, as the following quote illustrates:

> “If you take a look around, we are in the area of ‘returnee entrepreneurs Innovation Park’. It is set up particularly for returnee entrepreneurs whose companies are in the high-tech sector. We have around 6 million of funding, and we can get rent-free office buildings and facilities. There are also different types of allowance such as utilities, accommodation, salaries, and tax benefits. Government nowadays strongly supports high-tech firms and encourages us to join global competition. The support started in recent years, I returned from the US in 2014, and the ‘mass entrepreneurship and innovation’ was introduced in 2015. I feel it’s a good age for entrepreneurship in China now.” (Founder, SME 34, AI software system)

Although the support for returnee entrepreneurs does not appear to have a particular regional focus, regional development policies do exist. This aligns with existing studies that have identified regional differences in entrepreneurship in China (Guo et al. 2014; He et al., 2019). Apart from the classic clusters for international trade and innovation, more areas are covered as a result of being encouraged to attract overseas human resources and their entrepreneurship. Moreover, the regional government can play an important role in the implementation and level of support for these ventures, which can differ from the perceived benefits of government support among entrepreneurs. One SME manager expressed the following view on the support offered.

> “At an early stage you may really need the support from government. For example, if you are a returnee entrepreneur who is willing to settle down in Shenzhen, the government can directly offer you thousands for your life costs. Especially if you have high-tech expertise, which China highly values today. Numerous regions are competing for importing human resources and encouraging international SMEs, not only the biggest cities, but also the smaller cities. Actually the government is doing something real in Shenzhen and keeping their promises, particularly in recent years. Although it might be a bit different for less developed cities, this may be because there are not many high-tech firms in those cities and they are mainly dominated by SOEs there.” (Manager, SME 27, AI software system)

As the empirical evidence suggests, returnee entrepreneurs in high-tech sectors are more likely to perceive strong support from government for the internationalisation of

their ventures, especially at an early stage. The government policy in recent years has been to encourage high-tech human resources to return to China and demonstrate their entrepreneurship knowledge. An increased awareness of joining global competition with high-tech products has led the government to offer support for returnee ventures in various regions. However, there is an imbalance in development in these regions. For example, some less developed regions may struggle to implement the support because the market is dominated by SOEs and the regional government may lack the required capacity.

In summary, the government can offer resources such as funding, tax benefits, and facilities directly to Chinese SMEs to facilitate their domestic and international development. At the same time, they can indirectly influence the international operation of SMEs by enhancing their internal resources. Thus, government support and encouragement enhance both the IEO and motivation of entrepreneurs. This is similar to Avgerou and Li's (2013) claim that government support enhances the legitimacy of risk taking, which is an important entrepreneurial propensity. This study also found that the innovation capability of firms can be indirectly augmented through government financial support for their R&D activities, which is similar to the findings of Sheng et al (2011). Three types of firms are most likely to perceive the usefulness of government support for international activities: exporters, high-tech firms, and returnee entrepreneurs' ventures.

The support of government primarily influences the speed of internationalisation, as it provides direct resources (for example funding and export services) and boosts the IEO of entrepreneurs. Government encouragement then helps to increase the scope of internationalisation. Specifically, firms that provide certain types of products, such as power equipment and construction materials, tend to follow the direction of SOEs and government initiatives. Although some researchers argue that government policy generally benefits SOEs (He et al., 2016), it also directs SMEs to particular international destinations. For example, the recent "One Belt One Road" initiatives have encouraged numerous SMEs to export to countries along the way. The confidence of SME entrepreneurs is then boosted when SOEs and government invest in and sign deals with those countries.

The modes of internationalisation can also be affected by policy, albeit not often. For example, the restrictions on obtaining certain foreign raw material may push SMEs to seek foreign opportunities and set up factories overseas. This can be explained by the "push" effect of the domestic institutional environment (Gabrielsson, 2005; Yan et al., 2018). In addition, several entrepreneurs in the current study felt that it was a good time to embark on their international ventures, as the more recent emphasis of the government on SMEs has encouraged them to be entrepreneurial and innovative, and to participate in global competition.

4.3.2 University Support

Universities in China are founded by the government. Thus, government policies can have a significant effect in guiding the action of universities. Because many of the entrepreneurs in this study graduated from overseas universities, their firms tend to utilise the resources provided by foreign universities and research institutions. Thus, experiences of studying abroad can enhance entrepreneurs' networks and knowledge of foreign markets. This is consistent with previous findings by Cannone and Ughetto (2014), namely that entrepreneurs' experience of studying abroad can facilitate early internationalisation of their firms. This study also found that university resources need to be combined with other resources or capabilities including IEO and innovation capability to have a significant influence on the international expansion of SMEs. Furthermore, universities can enhance firms' innovation resources, as well as providing funding and incubator services. This echoes existing studies which have found that universities can be helpful in improving innovation in firms (Belderbos et al. 2004; Lasagni, 2012).

However, this study also found that the perceived impact of universities on innovation outcomes by entrepreneurs'/managers' can be limited. Their perception of the support provided by universities also differs somewhat from the perception of the universities. For example, the universities highlight the implementation of policies and the availability of resources for entrepreneurs, whereas the entrepreneurs/managers focus on the effectiveness and practical usefulness of the collaboration with universities. Empirical evidence suggests that the support of domestic universities does not have a direct influence on firms' international success; instead, it indirectly

facilitates it by boosting firms' internal resources and capabilities. There are several notable contextual characteristics of the collaboration between universities and firms in China, and it is appropriate to investigate these phenomena as they emerge.

4.3.2.1 University enabled innovation resources

University may participate in the R&D activities of firms and provide them with access to innovation resources. For high-tech firms especially, their innovation capability can be enhanced by the collaboration with domestic or overseas universities. Although several firms stated they have collaborated with domestic universities for R&D purposes, the collaborations are usually viewed as a particular link to a specific project or for product development rather than a shared ownership (such as a joint venture). Nevertheless, many firms are interested in embracing open innovation with universities. Most often, it is the university owned institutions that provide innovation resources for firms, such as labs, research centres, and university hospitals. As noted by two SME managers:

> "When we need to develop new products, we usually collaborate with universities and their affiliated hospitals and research centres, mostly with reputed professors. We also have our own R&D team, so we work together with the experts and use the resources and facilities in their labs. We also need the data on clinical observations from the hospitals. " (Manager, SME 18, Pharmacy and cosmetic)

> "Our company highly values R&D and our core strategy includes two points: open innovation and differentiation…we emphasise collaboration with external parties including research centres, universities, business partners, and even our peers; and a lot of our products are developed from open innovation…we need to commercialise the technology that is developed in universities, because the problem is that universities are not practical, they do not consider the commercialisation and industrialisation...actually our first technology product was purchased from the university; first we bought the right of use, then we bought the ownership of the patent." (Manager, SME 13, 3D printing)

However, there can be problems or difficulties perceived by entrepreneurs in their collaboration with universities. One important concern is the lack of industry experience and practical knowledge of researchers in universities; this can diminish the effect of the university-industry link on innovation outcomes. Another is the lack of effectiveness and substantiality of the partnership on innovation outcomes, which weakens the perceived benefits. Firms may perceive universities as making a limited contribution to developing their innovation capability, as they believe their partners' innovation capability does not add value to their current level of R&D due to the lack of industry experience. As one SME founder explains:

> "The technological transfer in a lot of domestic universities is still not very strong, although it has been improving in recent years. I still think that universities and research centres in the traditional sense are kind of far away from the practical application of the technology. Actually for many of them, the competitiveness of technological development is less strong than the companies in industry. For example, I have brought our product to a top university's lab in Hong Kong before, and we found that our own technological development is actually more effective than theirs in terms of certain indicators and performance. That is because we have been making this type of product for 20 years during our previous experiences in industry." (Founder, SME 32, IT/software and equipment)

Furthermore, some firms perceive difficulties in clarifying the responsibility between the two parties and evaluating the universities' contribution based on intangible outcomes. In the interviews, some firms stated that the relationship with universities can be complicated, and that the collaboration may not improve their innovation capability but instead improves other intangible resources; for example, their image and reputation. Nevertheless, high-tech firms may need to prove their professional knowledge and expertise in industry, and thus collaborate with renewed universities to gain their influence, which was described by one SME founder as follows:

> "We have conducted a strategic alliance for innovation development with the top university in Zhejiang, recently we have been aiming to publish papers in top academic journals. The progress is slow due to the amount of the data we need. Also, the collaboration itself is not going too well, because there are some

problems in distributing the benefits. Overall, I would say the collaboration contributes more to our reputation and image than the actual innovation outcome and capability development. At the same time, a lot of the contribution and outcomes of the university are difficult to quantify, thus it is hard to figure out how much we need to pay them." (Founder, SME 12, Blockchain technology)

As well as domestic universities, high-tech firms, especially "new-to-the-world" technology firms, tend to utilise the resources foreign universities and research centres provide. Such partnerships can also improve their innovation capability and image. Although many high-tech firms are able to access the innovation resources of oversea universities, little evidence has been found to show that this relationship can directly influence their market entry mode selection. This is because many relationships with foreign universities are regarded as the personal network resources of the entrepreneurs rather than the organisations, and many entrepreneurs have graduated from overseas universities. Moreover, the collaboration is usually regarded as involving knowledge sharing activities rather than a formal strategic alliance for commercial purpose. Several entrepreneurs/senior managers are also members of the research centres; thus, they are able to access certain resources without a formal relationship between the two organisations. As one SME manager explains:

"Research and development are not just carried out by our founder, our CTO (who is the co-founder as well) is a member of an A-star research centre in Singapore. This is the most official and strongest research centre, and he is a scientist in there, he's been studying for 10 years, so I think it's the integration of his resources. We also collaborate with some top universities and research centres in China, it is something important to have in our industry, just like your business card that shows your profile. Now we have patents registered in both the US and China, it's the CTO's own patents that he developed with the institutions, but they belong to our company too." (Manager, SME 27, AI/software)

Overall, although the relationship with universities may have little direct impact on firms' international success, it can enhance the innovation capability of high-tech firms which is key for their internationalisation. However, sometimes the collaboration with

universities may not be effective and result in limited innovation outcomes. It is also likely that it is the image of the firms, rather than their innovation capability, that will be enhanced by the collaboration.

4.3.2.2 University enabled tangible resources

Universities in China have recently been promoting entrepreneurship and innovation following the direction of government. The main party that benefits are student entrepreneurs as universities have set up centres to support their entrepreneurial behaviour. Zhang et al. (2014) found that entrepreneurship education in universities can significantly affect entrepreneurial intentions. During the interviews, representatives of the three universities stated that the resources they provide are mainly available for student/alumni entrepreneurs, including funding and incubator services. This supports extant literature, which found university incubators contribute to the success of firms, especially those which are technology-based (Tang et al., 2013; World Bank, 2002).

Because most universities in China were founded by the government (Wu, 2007; Zeng et al., 2010), university funding for entrepreneurs derives mainly from government funding. Unfortunately, the universities provide limited information on the university-industry linkage; nevertheless, this completes the picture regarding government and university support for entrepreneurial firms in China. There is no evidence to show that the entrepreneurial resources provided by the universities have a direct impact on firms' internationalisation: however, they contribute to the development of internal resources that are needed for international success, including innovation capability, industry experience and knowledge, and networks. Thus, the entrepreneurial resources and services offered by universities are an environmental factor that may facilitate the resources firms need to support international expansion. This is explained further by one manager of an SME:

> "We have collaborations with some universities in Wuhan and Beijing, I think it is a feature of this age that the universities are encouraging entrepreneurship and innovation. Many universities have 3D printing labs, and we have helped some universities to build the labs. These universities provide incubator projects for student entrepreneurs, and we are often invited to share knowledge

as to how this technology can be used in the industry. Sometimes, the students and tutors come to our company and we provide them with training." (Manager, SME 15, 3D printing/ equipment)

Universities not only collaborate with firms to share innovation resources; they also take advantage of networks with industries to cultivate student entrepreneurs. Knowledge transfer can occur in both directions, as firms can provide the knowledge accumulated from industry experiences that the universities usually lack. The incubator services offered by universities provide several resources for entrepreneurs, including working spaces, access for funding, and industrial networks. There are also cases where the universities have built their own innovation parks and invited firms from industry to join them, as described in the following extract.

"Our university has its own innovation park, which is attracting some companies to settle here. We try to integrate our resources, which includes three parties: firms, students, and local government institutions. We also encourage a close link between student entrepreneurs and firms in industries, and have invited some senior managers in companies to be entrepreneurship supervisors for the students. In addition, we have an area called the 'mass innovation town' which is particularly for returnee entrepreneurs, especially our alumni entrepreneurs." (Representative, University 2, in Zhejiang)

Universities can therefore bridge and integrate resources between universities, firms, and local government. This not only keeps the resources available internally for students, they are also available for SMEs to access.

4.3.2.3 Contextual characteristics

Several contextual characteristics can be drawn from the empirical evidence, especially regarding the relationship between government and universities in China. For example, universities are actively implementing the initiatives of the government, and the majority of their funding, which can be provided to firms/entrepreneurs, comes essentially from the government. Importantly, the universities' support for entrepreneurship and innovation is still at an exploratory stage. Although collaboration between universities and SMEs used to be relatively rare, there is now a growing

engagement by universities in regional development as well as the relationship between universities and industry. Furthermore, some interviewees felt that a long period may be required to transform scientific and technological achievement into commercial use. Thus, some firms struggle to attain technology transfer from the universities and find it difficult to attain effective innovation outcomes from the collaboration. Furthermore, because many universities are engaged in regional development and follow policies with regional features, they tend to have different foci when they provide resources for firms/entrepreneurs, a view expressed as follows by the founder of an SME.

> "According to my experiences and observation, the technology transfer is currently not very effective for universities in China. The cycle usually takes a long time and the process is complicated. Although research institutions are encouraged to register their own companies, the definition of property rights can be complex. In business competition, companies can strategically plan how much they can invest in certain activities; however, universities may rely mainly on government research funding and thus have less concern." (Founder, SME 32, IT/software and equipment)

From the perspective of firms, universities may focus on research and technological development without any consideration of potential commercial uses. A gap remains between the innovation of universities and required innovation outcomes of firms, thus R&D outcomes and technological achievement in universities may not deliver value to the firms in practice. Furthermore, firms emphasise the effectiveness and efficiency of innovation activities, whereas universities may focus on the technological development itself. This aligns well with Perkmann et al. (2013) who also found a positive relationship between formal technology transfer mechanism and commercialisation. However, the current study showed that firms can perceive the contribution of universities to be low if they consider the technology transfer to be ineffective. Universities and research institutions also require an improvement in entrepreneurship to match industry needs. Because universities and research centres are financially supported by the government, they enjoy more freedom to conduct research without being heavily restricted by profitability. However, this may lead to a disconnection between firms' understanding of innovation outcomes and that of universities. In short, universities may have less concern about creating commercial

value, while firms' evaluation of innovation outcomes is heavily based on its commercial value. This mismatch of perspectives can reduce the perceived benefits of university-firm collaborations, as indicated in the following comments.

> "When we look for partnership, we emphasise two things: firstly, if they are interested and expert in our technology, secondly, if they have sufficient research funding. In fact, many professors have funding from government departments, for example the Ministry of Science and Technology." (Manager, SME 33, AI/ software and medical equipment)

> "Universities do provide our own funding internally, yet the main funding comes from the government. For example, the Shanghai government set up a public fund particularly for young entrepreneurs from universities, more like an angel fund. There are a few projects that the government created for entrepreneurs to apply funding, apart from the main public fund they also have individual funds for many universities. It is different from universities in western countries, we are more likely to rely on government funding and instruction." (Representative, University 1, in Shanghai)

A close university-government relationship ensures a reliable funding source for universities, and the government's encouragement for entrepreneurship and innovation in universities can increase awareness of the need to develop a strong university-industry relationship. However, regional development means that the support and instruction provided for universities may differ. For example, a region which is less economically developed and has a simpler industry structure may receive less financial support. However, an alternative can be to provide network resources for the firms in industry. For instance, one of the universities explained that:

> "Due to regional limitations, our province lacks a comprehensive industrial structure. The advantage of our region is the natural resources, and we are on the border of Southeast Asian countries. Thus, we believe the future of our regional economic development largely relies on exports. The government support for us is quite different from that given to universities in Beijing and Shanghai, for example our funding can be more limited, yet we are an important link in the 'One Belt One Road' initiative due to our location. We engage in some resource sharing with companies from industry, and often invite them to

participate in our incubator programs. We can also provide facilities and network resources." (Representative, University 3, in Yunnan)

The contextual characteristics demonstrate pros and cons in the relationship between universities and firms, and the government plays an important role in this. The perceived benefits of R&D collaboration with universities by firms mainly depends on their evaluation of the innovation outcomes, while universities may have less concern about the effectiveness of technology transfer.

In summary, the support of universities for SMEs can take the form of developing innovation capability, financial resources, and network resources. There is no clear evidence showing a direct impact on the internationalisation of firms, although the enhancement of internal resources can indirectly facilitate rapid internationalisation. For high-tech firms in particular, universities can directly participate in firms' R&D activities. In line with Wang et al. (2018), collaboration with universities can contribute substitutively to product development, especially those that require a certain level of technological intensity and specialisation. However, there may be gaps between firms and universities regarding their perceptions of innovation outcomes. Although universities are encouraged by policy makers to facilitate technology transfer and the university-industry relationship, academic engagement is different from commercialisation (Goktepe-Hulten, 2010; Perkmann et al., 2013). Thus, whereas firms usually focus on the effectiveness of technology transfer and the practical application of technology/innovation development, universities are more likely to focus on the technological achievement rather than commercial benefits. Thus, firms may perceive limited benefits from universities when they perceive the innovation outcome to be poor. Firms may also claim that little help is provided by the university-firm collaboration in terms of improving their competitiveness, primarily because they believe university researchers to lack industry experience. Nevertheless, similar to the findings of Xiao and Ramsden (2016), firms are able to acquire knowledge and patents from their relationship with universities which is helpful in building their innovation capability. Although the current university-industry relationship in China is at an early stage of development, encouragement from government is growing.

Consequently, universities in China can obtain a considerable amount of funding from the government for R&D purposes. In addition, due to the recent high promotion of

entrepreneurship and innovation in universities, there are different types of funds for which universities can apply. Entrepreneurs may benefit from this financial support by virtue of being a student/alumni entrepreneur or by collaborating with universities. However, firms may question the feasibility of university projects as universities are financially supported by external parties and are thus less concerned about efficiency. Furthermore, universities are playing an increasing role in regional development. Like Liu and Huang (2018), our findings show that the interaction of resources among universities, firms, and government can facilitate knowledge flow and contribute to regional development. Such development includes the shaping of an entrepreneurial environment in China, which is consistent with the claim made by Kshetri (2017). Universities can thus integrate network resources and serve as a bridge between different parties, including firms, government, investors, and internal human resources. The networks provided by universities can be valuable resources for SMEs to access and utilise, and can contribute to the speed of internationalisation. However, differences in regional government policy and the local industry structure means that university support exhibits regional characteristics.

4.3.3 Digital platform resources and the internet

In line with the extant literature (Li et al., 2018; Nambisan, 2016; Shaheer and Li, 2018), the current study shows that digital platforms, including online stores, e-commerce platforms, and social media platforms, significantly affect the internationalisation of SMEs. The empirical evidence suggests that digital platform providers can provide valuable network resources that enable firms to reach international customers and acquire knowledge of international markets. Furthermore, digital platforms can play an important role in enhancing firms' internal resources and capabilities, including IEO, network capability, and innovation capability. This is similar to existing studies which have found that digital platforms contribute to the internationalisation of SMEs through the provision of sales channel resources, network resources, and marketing resources (Bianchi and Mathews, 2016; Glavas et al., 2017; Glavas and Mathews, 2014; Zeng and Glaister, 2016). The analysis in this study showed that network resources, sales channels, and advertising services can directly or indirectly influence the speed and mode of internationalisation. However, the

perceived importance of digital platforms may differ across industries. The findings of this study highlight the influence of digital platforms on both physical and virtual products. There are three distinct types of SMEs that are more likely to benefit from digital platforms in their internationalisation: traditional exporters, digital products producers, and service providers.

4.3.3.1 Export of physical products

This study found that the influence of digital platforms on exports can be divided into the impact on B2C and B2B exporters, which is in line with existing literature that claims internet usage differs between B2C and B2B firms and should therefore be studied separately (Gabrielsson, 2005; Yang and Gabrielsson, 2018). The findings also showed that the level of standardisation of products can influence firms' usage of online channels. For example, if a firm provides highly standardised products it is more likely to adopt a digital platform as an important sales channel. This in line with existing studies pointing out that the higher level of standardisation, the more suitable it is for selling products online (Piscitello and Sgobbi, 2004; Glavasber and Fischer, 2011).

B2C exporters comprise retailers and manufacturers that sell products directly to international customers. International retailers have the highest dependency on e-commerce platforms among firms that sell physical products, and therefore rely on international platforms such as Amazon to act as a sales channel and marketing tool to reach foreign customers. Although these firms are in a low-tech industry, they usually internationalise at an early stage and focus on international rather than domestic markets as most of their sales come from overseas. However, the situation is different for manufacturers as they are less dependent on digital platforms as sales channels and are more likely to adopt multiple platforms for other purposes, such as social media platforms (Facebook, Instagram, Twitter, and so on) to advertise and develop relationships with customers. As one SME founder stated:

> "The e-commerce platforms make things much easier for us by attracting web traffic and providing sales channels, even logistics systems... You can pay for some premium services to boost your profiles, for example search energies optimising (SEO) services. Also, the platform provides you with templates to design your profile, and present product information." (Founder, SME 22, international retailer)

The word “web traffic” was used multiple times in the interviews and is seen as an important resource provided by digital platforms. The number of visitors to a website are potential customers and can become vital network resources. For SMEs with a high dependency on e-commerce platforms, web traffic can directly generate sales within the site. Thus, e-commerce platforms can significantly improve firms’ access to network resources, especially online retailers. Furthermore, the advertising and data services offered by e-commerce platforms can help firms develop network capability, particularly back-end data such as “click-through rate”, page views, and units ordered. Sellers can also calculate “conversion rates” (percentage of website visitors who actually purchase the products in a certain time) based on back-end data, which is key in enabling e-commerce sellers to evaluate their outcomes and strategies. However, because a high level of web traffic may not necessarily lead to a large volume of sales, e-commerce retailers may adjust their product selection or other strategies to satisfy international customers and enhance their relationships with customers. Some interviewees stated that the Gross merchandise volume (GMV) is an important consideration when choosing e-commerce platforms and believed this can also generate sales on websites. As one SME founder explains:

> “For us, the greatest advantage of using e-commerce platforms like Amazon is to utilise their web traffic of international visitors. Also, it is the internal web traffic on their sites, which means people are actually considering buying something. They are a large group of potential customers to us, and the conversion rate is quite high, I would say it’s around 10 percent based on the historical data. It is also related to your ranking on the website, usually the higher you’re ranked, the better the conversion rate you would enjoy... However, we need to investigate how to improve the effectiveness of using the websites, often we need to pay the platforms for extra services such as advertising and SEO.” (Founder, SME 26, e-commerce retailer)

Ecommerce platforms can also provide services that allow firms to grow the network capability to develop, maintain, and exploit the networks of international customers. They are also considered the most helpful type of digital platforms for international retailers. Furthermore, the growth in international e-commerce platforms can enhance the international entrepreneurial orientation of SMEs. Firms perceive lower barriers and higher opportunities in the international markets, and the expected profits from

export activities through e-commerce has encouraged risk-taking behaviour towards such markets. Ecommerce platforms also provide logistics services in global markets, such as a warehouse service in multiple geographical regions. This makes it more convenient for firms to expand to other countries and reduces the perceived distance of foreign markets. Thus, the scope of exporting is importantly led by the platforms, as one SME founder explains:

> "I chose to become an international e-commerce retailer because I saw it was the market trend and has great potential. From my understanding it started booming in 2011… There is high profit, and the platform provides us with a lot of convenience, for example the overseas warehouse to improve logistics efficiency… When we talk about the locations of entry, we basically refer to the markets available on Amazon. There are three main regions including Europe, America, and East Asia. The selection of specific countries depends on the available logistic services because this part is outsourced. We only question whether Amazon can reach these markets; if so, we will find logistic companies to deliver for us. We are basically going where Amazon takes us." (Founder, SME 9. Ecommerce retailer)

Apart from foreign e-commerce platform providers, there are also domestic platform providers that help SMEs to export, such as the Alibaba Group, which provides several platforms comprising both B2C and B2B platforms. The retailers mainly choose B2C platforms such as Taobao (which mainly focuses on domestic markets) and Ali Express (which mainly focuses on global markets). There are also several perceived differences between domestic providers and foreign providers (such as Amazon and eBay). Firstly, there are more international individual customers on foreign platforms, therefore they can attract a large amount of web traffic and the websites are more familiar to them. Secondly, the retailers we interviewed perceived the regulations on platforms such as Amazon to be stricter than Alibaba; however, this can create a "cleaner" environment for sellers to compete at the same time. Thirdly, domestic platforms such as Taobao and JD may incur higher advertising costs and competition compared to foreign platforms. Thus, international B2C retailers in China tend to adopt international platforms rather than domestic ones as these contribute more to their international activities.

The role of digital platforms can be multiple and includes the provision of sales channels network resources, and marketing resources; some platforms even aim to create an online ecosystem for the internationalisation of SMEs. The interview with a leading e-commerce platform in China thus provided insights from another perspective.

> "The department that I work in is the international business department, it consists of three major parts in helping Chinese SMEs to engage in international trade. The first part is web traffic management: its main job is to purchase some international web traffic and allocate the web traffic, the process is quite professional… the second part is product and operations, we create scenes for suppliers and buyers to communicate, you can image our website, application, and H5… Based on this service, the main issue we are solving here is the information matching, and it is connected with the web traffic purchase. After the purchase of the web traffic, what we need to do is to match them with users who need them…this can be done through the use of an algorithm…The third part of our department is the international trade service, it solves some problems for users; for example, their complaints, logistics problems, and tax problems. We offer a comprehensive service for them by providing a series of solutions... It is high-cost for SMEs to create their own ecosystem, whereas with the help of our platform the SMEs can achieve it at a low cost." (Manager, e-commerce platform)

However, manufacturers may need to adopt other types of digital platforms. Researchers have pointed out that B2C firms are more likely to adopt multiple online channels for marketing purposes and prefer mass-consumption social media such as Facebook compared to B2B firms (Iankova et al, 2018; Gabrielsson, 2005). However, this study identified a difference between B2C retailers and manufacturers in that B2C manufacturers are more likely to adopt various types of platforms for advertising and networking purposes whereas B2C retailers rely mainly on e-commerce platforms. One important digital platform B2C manufacturers tend to adopt is social media platforms, particularly mass international platforms such as Facebook, Instagram, and Twitter. This is because they tend to have a greater need to conduct their own advertising for international customers, rather than relying on the internal advertising services of e-commerce platforms. Compared to retailers who are more sales and

profits oriented, manufacturers tend to develop deeper connections with international customer and sustain these relationships. Thus, they are more likely to build their image and understand customers using social media channels as they are able to directly shape their profile and interact with customers. While retailers usually see customers as situated at the end of their value chain, for manufacturers customers may play a part in product development as their needs are often considered during production. As one SME manager explains:

> "We are using Instagram for marketing where we post product information and interact with followers via online activities. Our main platform is Instagram, but we also use Facebook and YouTube, etc... Some of the platforms users are also posting about our products, they are like a free advertisement for us. We have accumulated particular groups of buyers, and identified the buyers' community… We find our customers have a very high re-purchase rate." (Manager, SME 30, food manufacturer)

Thus, the adoption of social media channels can enhance the development of network capability in firms and are mainly used by B2C manufacturers in developing and sustaining relationships with international customers. Because such manufacturers care about customer satisfaction and meeting their product needs, social media platforms are helpful as they provide networks and direct access to customers. This is in line with existing literature that claims social media facilitates international users/customer ties (Gao et al., 2018). This study also found that domestic social media platforms make a limited contribution to international expansion, whereas foreign social media platforms are considered more helpful. Although China's restriction on access to foreign websites could be a potential barrier, many firms indicated that it has a limited influence on their activities.

Ecommerce platforms can directly influence the speed of SMEs' internationalisation through exports, but do not facilitate international collaborations with other organisations and modes beyond this. International retailers appear to have a high dependence on e-commerce platforms as they provide key resources for exports, including sales channel, logistics, and network resources. This in line with previous research that indicates the cross-border e-commerce market in China is highly developed (Li et al., 2017; Zeng and Glaister, 2016). However, there may be limited

use of social media platforms because they do not produce their own goods. While manufacturers are more likely to need to build their image, advertise their products, and interact with customers on social media platforms; retailers mainly rely on the internal resources of e-commerce platforms to achieve these ends. In addition, the usage of social media platforms may enhance firms' network capability, which is important for the speed and modes of international expansion. B2C exporters are more likely to be found in low-tech sectors such as food, clothing and accessories; while B2B exporters are more likely to be found in high-tech industries such as bio-tech, electronics, and automobiles the empirical evidence shows that the perceived benefits of using digital platforms for B2B exporters differ from those of B2C exporters.

There are two main types of platforms that B2B exporters find useful: B2B networking platforms such as Alibaba.com (different from Taobao and Ali Express), and professional social media platforms, for example LinkedIn. Although both focus on providing business networks for users, there are some differences between them. Specifically, B2B platforms provide business network resources for companies; they aggregate manufactures, suppliers, and wholesalers' resources and facilitate export and import activities. Conversely, professional social media websites include both individual users and organisations: this enables firms to build business/professional networks with others as well as sharing information about themselves. This aligns with the existing literature that suggests business social media platforms can facilitate social interaction and knowledge transfer (Glavas et al., 2018). Although a few domestic B2B platforms in China have global resources and impact, the social media platforms that contribute to firms' international activities are mostly foreign. The B2B platforms are significant in building international networks and directly improving the speed of internationalisation while social media platforms may enhance firms' networks and network capability without having a direct impact on international activities. As an SME founder explains:

> "Because we export our products to client companies, the e-commerce platforms for retail have limited use for us. However, we use B2B platforms like Alibaba.com. There is an annual fee that the platform charges us. We can put an introduction to our company and our product descriptions on the website, which will help us to promote and find client companies. We are only interested

in a large amount of orders from foreign client companies, rather than individual and end customers." (Founder, SME 7, tire manufacturer)

Using B2B platforms is an effective way for firms to develop relationships with oversea clients, thus improving the speed of internationalisation. Although such platforms do not generate online transactions, the business networks they facilitate may lead to international sales. In line with the findings of Reuber and Fischer (2011), this study found that a product is easier to sell online if it has a high level of standardisation. Conversely, firms who provide products with a lower level of standardisation mainly use digital platforms for networking purposes and may even perceive lower benefits in using these platforms. Suppliers are able to show their presence online and can be reached by international buyers; they then negotiate or communicate their requirements offline and, finally, receive orders from foreign clients. This is a common process used by firms who manufacture less standardised products to build international networks, whilst online B2B platforms may only contribute to the early stage of this process. As one SME manager notes:

"The B2B platforms only provide a means for us to present ourselves. Our products are very particular, it is hard for us to list the information about our products on the website because different clients may have different requirements. However, it may be a different case if it is an industry that requires more standardised products. The B2B platforms may even be more effective for companies that offer more standardised products, because they can list the measures and parameters of products and the clients can easily tell if the numbers meet the industry standards." (Manager, SME 10, manufacturer in power supply equipment)

Apart from network resources, B2B platforms may also play a role in enhancing firms' IEO. Firms may focus on the domestic market until they are "pulled" by international clients; B2B platforms thus facilitate their exposure in global markets and enable them to be reached by potential clients. An opportunity in the international markets can significantly enhance firms' IEO, especially when the domestic market has low demands for products or is highly competitive. The B2B platform may also enable the special type of BGs (born-again-globals) by significantly enhancing IEO and facilitating rapid international expansion. As one SME manager explains:

> "At the beginning our company only focused on producing materials, for example polylactic acid (PLA). Then we perceived strong resistance in the domestic market because our products are very upstream… and it was difficult to find a market application. One day we received an inquiry on a website, it was a company in the 3D printing industry. We did not know much about the industry but we suddenly saw a business opportunity in the foreign markets, thus we started supplying materials to firms in the 3D printing industry globally… Now we have been using B2B platforms, especially Alibaba.com, for more than 9 years and we are one of the earliest to use it among our peers." (Manager, SME 13, 3D printing)

Thus, B2B platforms can enable rapid internationalisation among exporters by providing access to networks of international clients. However, they enable network building rather than online transactions. Although they do not directly facilitate deeper international collaboration with modes beyond exporting, these platforms may enhance firms' IEO, which can be important for both the speed and modes of internationalisation.

4.3.3.2 Digital product providers

While retailers and manufacturers who export physical products perceive the importance of e-commerce platforms and social media platforms in internationalisation, there are firms who provide digital products and have a high dependence on other types of digital platforms. This is reflected in existing literature that highlights internationalisation in the digital world through virtual transmission and the way in which digital platforms enable the instant availability of digital products across the world (Shaheer and Li, 2018; Srinivasan and Venkatraman, 2018). The two main types of platforms commonly used by digital product providers, especially SMEs, are online stores (including digital game distribution platforms and application stores) and social media platforms. The online stores provide a sales channel for digital firms and can generate online transactions, while social media platforms help the firms to build networks, access knowledge of international markets, and acquire resources for product development. The common mode of international market entry for digital firms is that of software licensing, which can be conducted using online

platforms. Furthermore, because most digital stores are globally available, they can provide instant access to foreign markets. However, this study found that the use of online stores does not necessarily link to early market entry. There may be other barriers such as language and cultural distance that prevent digital firms from expanding internationally, which is in line with the findings of Shaheer and Li (2018). The internationalisation of digital firms can be driven by entrepreneurs' IEO, which is an important complementary resource to digital platform resources. Firms with a low level of IEO may focus on domestic markets even if their products are available on the global online store.

Digital products can be sold via online stores/ digital stores for both B2C and B2B firms, and can also be directly downloaded from firms' official websites or transferred between organisations. Firms are able to make their digital products instantly available worldwide by listing them on international online stores, although they also need to overcome any language and cultural differences. The typical digital products that are suitable for downloading or purchasing online are video games, applications, and other standardised products. Digital products that require a higher level of customisation (such as customised management systems and other software), are less likely to benefit from the use of digital stores. Online stores mainly provide sales channel for digital firms, allowing them to efficiently reach a large volume of customers. Some digital stores can also aggregate network resources; for example, the digital game store includes developers, publishers, and users' networks in its global scope, as explained by one SME founder.

> "I guess it would be e-distribution of the software and games that we are making; they are sold in the digital market to digital devices. So we don't rely on or target any sort of physical product. That means initially we are dealing with some specific online digital sales platforms… The publishers are a bit like agents, providing you with resources such as relationships with platforms to get featured, marketing, and production services to reach an audience, and they can cut off your income... And sometimes you can remove the publisher as the publishers can get in the way between the developer and the audience… For independent game developers…they mainly rely on the marketing plan of the platform, or the marketing efforts by publishers or PR firms to help them become well-known and reach an audience." (Founder, SME 3, video game)

As the empirical evidence showed, digital products such as video games can depend heavily on platforms such as STEAM and GamersGate. Like the exporters' dependence on e-commerce platforms, digital platforms not only provide sales channels for firms, they also provide networks and advertising resources. This is in line with previous studies that showed social media can support firms' international advertising activities and enhance their network capability (Bianchi and Andrews, 2015; Okazaki and Taylor, 2013). For SMEs and start-ups who usually suffer from a lack of resources, e-commerce platforms can reduce the cost of networking and advertising as well as enabling supply chain resources for digital products. Furthermore, they also influence the perceived distance of entrepreneurs to global markets as this is no longer determined by geographic location, thereby increasing the efficiency with which international markets can be accessed. Another popular type of digital product is that of mobile applications, which can be listed on stores such as the Apple app store for IOS and Google Play store for Android. While many firms may consider internet or digital platforms as a tool to improve the efficiency of their international activities, other firms may view them as infrastructure or as a means to carry their products. As one manager of an SME explains:

> "Internet and digital platforms to us are not just tools for improving efficiency, but a carrier for information and content. Our company cannot exist without the internet; a platform not only improves efficiency, it also connects people and information that cannot be connected in traditional ways…We started internationalising five years after the inception… also we only focused on domestic markets at the beginning. This is because the products we provide are based on information and content, which are highly local. Thus, it takes time to go abroad, we only started internationalising quite recently…the market entry is only via app stores, and now we have multi-language versions of our application... Now our international market expansion has been robust over the past few months." (Manager, SME 4, mobile application/podcast)

According to the empirical evidence, digital platforms can effectively connect people and information to create valuable network resources and provide sales channels for firms. However, there is little evidence to suggest that app stores contribute to other resources or capability development for firms. In fact, the speed of internationalisation also depends on the type of product and level of IEO. For example, a firm that delivers

information and digital content as products may struggle to achieve early international market entry. This is because a relatively high level of adaptation to host markets is required, which can be difficult to accomplish at the beginning when the firm lacks resources or the business model is not yet mature. Although digital stores have facilitated effective access to global markets, they have made little contribution to the capability development of firms which is important for the adaptation of their products to foreign markets. Thus, digital stores enable firms to internationalise through licensing and by making their digital products instantly available to global markets; however, this does not necessarily lead to rapid internationalisation. This aligns with Shaheer and Li (2018), who found that the speed of internationalisation of digital products may be restricted by cultural, economic, geographical, and administrative distance. Building on this insight, this study found that digital store resources can be complemented by firms' IEO or that products contain features to overcome language and cultural barriers.

Furthermore, firms that provide software products with a high level of customisation, such as a customised management system, perceive little benefit in using online stores. Firms that provide these types of digital products are mostly B2B firms whose clients are organisations; it is therefore critical for them to develop networks with foreign clients to achieve internationalisation. In line with previous studies showing that B2B products and low standardised products are not suitable to be sold via online channels (Gabrielsson, 2005; Reuber and Fischer, 2011; Yang and Gabrielsson, 2018), this study found that customised software products are not suitable to be listed on digital stores. Because these types of firms cannot benefit from the network and sales channels resources provided by the platforms, they tend to rely on the resources of entrepreneurs and firm capabilities, including IEO, industry experiences, network capability, and innovation capability, to achieve rapid market entry and deep international involvement. Conversely, they usually have less need to adapt their products to foreign markets than firms providing online content (such as blogs and podcasts) and cultural products. The major barriers perceived by these firms are the language barrier and administrative distance, as some countries may be concerned about information security and place restrictions on certain software products. Although online stores are not considered helpful in facilitating the international market

entry of firms that provide customised software products, such firms may benefit from other types of platforms, especially social media platforms.

Firms tend to utilise social media platforms to develop user networks and acquire knowledge; it is therefore key for them to build user communities for networking and even R&D purposes. Like Shaheer and Li (2018), who found that a virtual community strategy enables producers to collaborate with customers and create value for both parties, this study found that online communities can create valuable networks for firms and may enhance their network capability and innovation capability. There are two main advantages firms can enjoy from utilising virtual communities: user networks and crowd knowledge. User networks enable firms to advertise their products, conduct market research, and interact with the audience; whilst crowd knowledge can contribute to the technological development of the products. Indeed, Tran et al. (2016) suggested utilising crowdsourcing to accelerate internationalisation. This is supported by existing studies that proposed firms could assemble crowd-based knowledge to improve the speed of internationalisation in a virtual context (Gabrielsson and Gabrielsson, 2011; Loane, 2006; Tran et al., 2016). The perceived distance to foreign markets can also be influenced by virtual communities on social media platforms, which then affects the international orientation of firms. Social media platforms attract a large number of visitors who are the potential customers for firms, enabling them to identify their target customers and communities.

Like Nambisan (2017), this study found that social media platforms enable firms to identify or develop online communities and may enhance the development of their network capability. By observing target customers' behaviour online, firms can study their needs, preferences, and profiles, all of which are crucial for market research. In so doing, firms can adjust product development to satisfy their customers and deliver value to the markets. Furthermore, when firms expand to foreign markets with a high psychic distance, online communities can help them to acquire foreign market knowledge. The subsequent improvement in the knowledge and understanding of overseas customers may build firms' confidence and motivation to go abroad, thus increasing their international orientation. By interacting with users in online communities, firms can develop new networks or maintain existing ones. Most importantly, virtual communities on social media platforms can improve the speed of

internationalisation. The power of social media in this regard was discussed by one SME founder as follows:

> "I think what social media especially triggers for us is being really powerful with connecting to potential customers and potential partners. We're getting a lot of interaction on there, we're getting to know new people, and we are getting business opportunities through that. And you know we have a website… but they can contact us directly on Twitter, and we could start a conversation, and that happens pretty fluently. But we do have limited resources to spend on this kind of online marketing and community building, so we have had to limit ourselves a little bit... It's time-consuming, I mean since we are just two people and every minute that we spend on any kind of social platform or community building can take time away from developing products." (Founder, SME 3, video games)

The empirical evidence shows that social media platforms not only provide access for firms to customers, they also provide access to potential partners. By following the accounts of other organisations on social media, firms can identify such partners and see what they have to offer prior to directly contacting them (if required). Thus, the usage of social media platforms may indirectly facilitate international collaboration and a deeper level of international involvement. Although virtual community building can benefit international network development, firms may struggle to conduct this at an early stage due to the limited amount of resources they have at their disposal. Specifically, user networks allow firms to engage in a variety of activities, including advertising their products, obtaining feedback from users, and even testing samples of products. The process is considered cost-saving and effective but can be time consuming for the entrepreneurs of start-ups as they lack the human and financial resources needed to adopt a virtual community strategy.

Another significant resource that social media platforms can bring to firms is crowd knowledge, which can contribute to R&D and innovation capability building in firms. There are several social media platforms that are popular for knowledge sharing, especially online forums (such as Reddit). Many firms may follow a particular topic or communities that focus on certain aspects of technology and are then inspired by the discussion. By checking updates or posting questions, firms may be altered by recent technological developments or even solve problems relating to these developments.

However, if a firm provides products that require highly advanced and sophisticated technology, crowd knowledge may be limited in the actual contribution it can make to the development of technical innovation capability. However, non-technical capability can also be facilitated by crowd knowledge. Firms may be able to learn how to improve their activities or operations (for example, marketing communication) from others who share knowledge of the same business model. As one SME manager and one SME founder commented:

> "We definitely visit some technological online forums to join in some of the discussions and follow some recent relevant information. Because we are in this age where the information is very open, it is not like the old times when it was hard to access information and knowledge. So you actually need to be aware, and even understand what your peers are doing, then compare them to yourself to understand the gap between you and them. We often check some online forums or join some competitions organised on the internet. It is important for us as we are still at a development stage." (Manager, SME 27, AI/software system)

> "Apart from the use of mainstream social media, we also use online forums, it actually acts like an ecosystem. We explore the possibilities of our type of products and the business model for it; a lot of the users are in fact not your potential customers, but they could be your investors. They consider the perspective of your industry, and you may get a lot of advice from them….Because the community is decentralised, we do not have a leader, we are all like maintainers. It is like we are working on the same big goal, anything that you suggest may make an impact or get disagreed upon by people... So it is not anymore like you are developing something completely for yourself, but for the community as well." (Founder, SME 12, Blockchain technology)

Thus, social media platforms not only provide network resources, they also enhance firms' network capability and the development of innovation capability. The utilisation of social media platforms can help digital firms overcome perceived distance in foreign markets, thus improving the speed of internationalisation. They can also enable firms to build networks with potential partners, thereby facilitating international collaboration. Finally, social media platforms may enable firms to enhance their innovation capability, which can affect both the speed and mode of entry to foreign markets.

4.3.3.3 Service providers

Because the definition of a “service” or “digital service” is broad, this section focuses on the digitalisation of traditional or off-line services (such as marketing, human resources, and education) to distinguish them from the “digital products” discussed in the previous section. Ojala et al. (2018) suggested that the speed of internationalisation among firms can be influenced by the available resources and fundamental technology, and differences may exist between the digital services provided by mature firms and new ventures. This study concentrated on firms that employ digital technology to transform or support their services, rather than those that provide and develop fundamental forms of technology as the service itself (such as IT services). Most firms in the sample provided knowledge-intensive services, which are more likely to have a higher level of digitalisation than less knowledge-intensive services. Building on Ekeledo and Sivakumar’s (2004) suggestion that service firms should be divided into “full-digital services” (fully digital with no physical component) and “partial-digital services (with both digital and physical presence), this study provides a slightly different grouping comprising “digitalised services” and “off-line services with digital support”. This is because service firms with both an online and physical presence can have digitalisation either directly for the services or only for the activities supporting these services.

The empirical evidence shows that traditional service providers have significantly benefited from digitalisation over the last few decades. As well as using digital platforms to advertise and network, the service itself can be transformed into online services. Traditional services such as marketing, business development, and human resources services can be moved from off-line to entirely online. The digitalised service providers in this study mostly followed the path of BGs, with rapid speed of entry to foreign markets. The majority have been providing a digitalised service from their inception, although one firm turned out to be a “born-again global” that focused initially on a domestic market then began internationalising rapidly after digitalising its service. Digitalisation can reduce the geographic limitation and perceived distance to foreign markets, particularly for service firms, as traditional services usually require physical facilities and human bodies that are hard to export.

However, like firms that provide digital products and internationalise through digital platforms, service firms may also perceive a distance caused by cultural, language, or administrative differences. This requires a certain level of adaptation of services that can be difficult to achieve and may impede firms' international development. Consequently, some firms choose to keep their operations in the domestic market while providing services to international clients. For example, a foreign client company may wish to conduct activities in China and therefore require a local Chinese firm to offer this service. These service firms do not seem to have a particular geographic focus for their internationalisation, yet they often start by building networks with clients in developed countries. Although such firms do not have a direct operation in foreign markets, they show a clear international orientation and purposely build international networks as well as receiving a certain level of international income. For instance, Chetty and Campbell-Hunt (2003) suggested that one of the ways to define "internationalisation" is whether the firm has cooperative relationships with counterparts in both home and foreign markets. As one of the SME managers explained:

> "We are a company that has provided a marketing service for many years, and we started focusing on providing a digital marketing service a few years later. The influence of online information flow is increasingly significant for our business, pretty much all our services and marketing methods are based online… Our main groups of clients are Chinese companies, but since digitalisation we have developed a few foreign clients, they are usually companies who wish to develop customers or conduct market research in China…The services include public relations, social media marketing, online public sentiment monitoring, and consulting services in the Chinese market …Because the marketing strategies can be very different from those in other countries, our clients often need help with this, and they are sometimes surprised at the way we conduct marketing activities in China." (Manager, SME 2, digital marketing)

Moreover, there are firms that have targeted international markets since their inception and offer purely online services to international customers/clients. These services can be two-way, such as offering foreign customers/clients services based on domestic resources and services to domestic customers/clients based on using international

resources. This is commonly the case for firms that act as “platforms”; for example, a firm that provides human resource services based on a website that links employees with employers will help domestic employers to find foreign employees and vice versa. Furthermore, the majority of digital services firms stated they have internationalised through online “service export”, a phenomenon also described as “wired exports” by Roberts (1999) and “online internationalisation” by Yamin and Sinkovics (2006). A few firms also revealed that they have achieved a higher level of international commitment, including subsidiaries and strategic alliances. However, the selection of mode is linked to the level of entrepreneurs’ IEO rather than the level of digitalisation. Thus, the digitalisation of services needs to be accompanied by a certain level of IEO to facilitate higher international commitment. As one SME manager commented:

> “We have been providing international human resources since the beginning. In the early stages we did not digitalise our service and only had an official website for advertising purpose with no interaction function… Then we moved our services from off-line to completely online in 2016, and it brought a transformation to our business model as well. Firstly, we had a significant increase in B2B clients: we used to have more B2C activities which helped international customers find internships in Chinese companies, but now we are mainly helping Chinese companies recruit international employees…Our company has many internal employees who are from foreign countries, they are mainly in charge of international development. Also, we have staff in our oversea offices, they are mainly responsible for technology and marketing development in the host countries. In fact, one of our founders is focusing on international communication and collaboration.” (Manager, SME 35, human resource service)

The empirical evidence suggests that digitalisation can improve the efficiency with which services are delivered and open a broader market for service firms. Apart from a traditional modes of foreign market entry, digitalisation provides another distinctive mode of entry that of exporting services through online channels. This also enables firms to develop or modify their business models and can influence their international strategy. The path of internationalisation varies across firms that provide different types of service, some of which require a lower level of adaptation and are thus more likely to achieve a high level of international involvement. Some services rely heavily

on domestic resources; thus, firms have a lower propensity to move the operation to foreign markets. Like Wentrup (2016), this study found that digitalised service firms tend to follow the pattern of BGs and can achieve rapid internationalisation. Furthermore, those firms that achieve higher international commitment appear to prefer controlled modes (such as subsidiaries) and do not follow the classic Uppsala model, which is in line with extant literature (Ekeledo and Sivakumar 2004; Wentrup, 2016). However, there is no clear evidence to show that the modes and scope are associated with the digitalisation and indeed are more likely to be influenced by other resources, such as the firms' IEO.

While many firms choose to directly digitalise their services, others prefer to keep them off-line and only utilise digital channels for supporting activities. For example, a company may provide a market development service for foreign clients but the service itself is not delivered online. Instead, online channels are used for advertising, networking, or communicating purposes. The common tools these firms adopt are digital platforms or applications, which enable firms to reach international clients as well as integrating domestic resources. For knowledge-intensive service industries (for example, market research services), firms are less likely to move their physical components to overseas markets and may be tied to home market resources. However, firms that provide less knowledge-intensive services (for example, real estate services) are more likely to engage in controlled entry modes. For firms that offer off-line services with digital support, digital platforms can be an important channel for advertising and network building. Although digital platforms can help firms improve the efficiency of their business activities, they do not necessarily determine the speed of internationalisation, as this depends strongly on the IEO of entrepreneurs. As one SME founder explains:

> "The services of my company mainly include two parts: on the one hand we act as a third-party service provider for foreign clients, for example we help them to develop business networks in China and provide training for them... On the other hand, we integrate domestic resources including factories and retailers. Often, if a foreign company wishes to conduct business activities or attract investment in China, it would need help from a third-party service provider… It is more like a cooperative relationship... We mainly use social media for

> marketing purposes, especially for integrating domestic networks and resources.” (Founder, SME 21, business development service)

Empirical evidence shows that digital platforms can help build international networks for service firms; however, in some cases the effect can be substituted by the networks and experiences of entrepreneurs. For example, entrepreneurs who have a strong international orientation may have accumulated international networks from their industry experiences and perceive social media to be of limited benefit in developing international networks. Furthermore, these entrepreneurs may perceive a higher contribution from developing domestic networks than international networks. Several entrepreneurs in the interviews stated that they had previously worked in a relevant industry and were then driven by international opportunities to start their own business providing services to the clients with whom they had already built networks. Furthermore, knowledge-intensive service providers were generally less likely to pursue a controlled mode of foreign market entry than less knowledge-intensive service providers. For example, one real estate firm in the sample stated that the characteristics of their services tend to require oversea bodies to deliver their services internationally.

> “We mainly provide overseas real estate services… we have subsidiaries in several foreign countries, the first subsidiary was in Sydney, but our headquarters are in Shenzhen. We have different roles, being both agent and developer at the same time. To be specific, we have our own lands and properties overseas, but we are also the agency who help overseas developers sell their properties to Chinese customers… we have accounts on different social media platforms, when we have new projects we usually post on social media for advertising purposes... The internet can help us with marketing, but what's more effective is face-to-face communication. We often develop clients through trade fairs, but we use internet and digital platforms to release information on our fairs or send invitations to our followers to come to our events.”(Manager, SME 28, real estate service)

Because some industries require a certain physical presence to engage in international activities, they prefer a higher commitment to international markets. In such cases, the subsidiary is considered an important mode of entry to foreign

markets. However, the process can be lengthy unless the firm is able to leverage other resources such as IEO and network capability. Digital platforms can help these firms improve the efficiency of activities such as advertising and network development and may contribute to building network capability. However, the effect can be substituted or complemented by other resources, especially entrepreneurs' human capital. Firms that provide offline services may perceive digital platforms and the internet to make a lower contribution to the speed of internationalisation compared to firms that provide digitalised services. There is no clear evidence to show that digital platforms and the internet impact on the mode of internationalisation, instead the entry mode is more likely to be associated with the type of service and the industry. Digital platforms may indirectly influence the speed of market expansion by facilitating international network resources, although some firms may find them to be more useful in building domestic networks.

In line with many researchers (Leon-Darder et al., 2011; Erramilli and Rao 1993; Leon-Darder et al. 2011; Wentrup, 2016), this study found that the entry mode for service firms differs from that of manufacturing firms. For instance, service providers are less likely to require physical components and can digitalise and export their services online. Their preferred entry modes also tend to be different from those of manufacturers. Wentrup (2016) claimed that digital service providers are more likely to choose a controlled mode for early entry to foreign markets due to the complexity of online services. However, this study found that mode selection is associated with other resources, including entrepreneurs' IEO and network capability. Moreover, it was found that some service providers in China choose to provide foreign clients with services based on domestic market resources: this is because they believe the service requires a high level of adaptation to foreign markets due to cultural distance and language barriers. They describe their mode as "service export", which may take time to achieve with higher commitment. This is similar to the Uppsala mode (Johanson and Vahlne, 1977). Conversely, there are services that can be digitalised and require a lower level of adaptation to different markets. Firms offering these services tend to perceive a lower distance to foreign markets and achieve rapid international expansion. Furthermore, the service providers in this study appeared to follow the path of BGs with rapid internationalisation, a process to which digitalisation can make a significant contribution. This aligns with the suggestion in the existing literature that

the internet facilitates rapid internationalisation (Knight and Cavusgil 1996; Yamin and Sinkovics, 2006; Glavas et al., 2019). However, the perceived contribution of digital platforms and the internet to the speed of internationalisation can be low for some service providers, especially those who are offline This is because the effect can be substituted by a combination of other resources, including entrepreneurs' IEO, networks, and industry experience.

4.4 Summary

This chapter analysed the empirical evidence collected from interviews. Due to the abductive nature of this study, the analysis followed the themes that derived from the data, and the researcher was open to employ the concepts derived from to existing literature to summarize some of the codes/themes then the relationships and mechanisms were identified. The findings revealed the versatile nature of human capital and network capability, as they can be combined with other resources for serving specific purposes in firms' international expansion and deployed by entrepreneurs to develop other resources and capabilities. Both external and internal resources and capabilities can be complementary or even substitutive to one another. For example, the role of entrepreneurs' proactiveness, innovativeness, and risk-taking in achieving rapid internationalisation can be substituted by the resources provided by digital platforms including networks, sale channel, and marketing resources. While IEO and network capabilities are complementary for various resources and capabilities that influence both speed and mode of firms' foreign market entry. In addition, this study found that the specific sets of resources required by the internationalisation patterns of BGs and mMNEs differ across industries.

Chapter 5: Discussion

5.1 Introduction

This chapter discusses the findings from the previous chapter in the light of existing literature, the findings are compared with previous studies. To enrich the current IB literature, this chapter also exhibits novelty by revealing the role of various resources and capabilities in the IB context. Being guided by the two research questions, the discussion serves the aim of this study and adds knowledge to the field of IB and theory of RBV.

5.2 The leveraging of specific sets of resources and capabilities for SMEs' international expansion.

Building on the existing RBV and IB literature (Knight and Cavusgil, 1996; Liesch and Welch, 2018; Nason and Wiklund, 2018; Penrose, 1959; Tan and Mathews, 2015), this study highlights the specific sets of resources which contribute to the international expansion of SMEs as perceived by entrepreneurs/managers. The effects of particular internal/external resources and capabilities on speed and mode of internationalisation vary across industries; this study contributes to the IB literature by providing novel insights on Chinese BGs and mMNEs. In line with the existing studies, which propose that resources and capabilities can be combined, configured, or even reconfigured in order to achieve desired outcomes (Nason and Wiklund, 2018; Vesalainen and Hakala, 2014; Yang et al., 2018), the empirical evidence of this study reveals that resources and capabilities can be combined or configured both internally and externally in order to achieve the internationalisation of firms.

The contribution of resources and capabilities to BGs and mMNEs internationalisation in high-tech and low-tech industries is shown in Table 5.1. In this study, the industry sectors are classified into main groups including high-tech, low-tech, and differentiation is made between low tech and high-tech firms. The group of low-tech industry contains two subgroups which are the low-tech manufacturers and low-tech retailers/wholesalers. The high-tech industry sector includes three subgroups which are the high-tech manufacturer, the software developer, and the 'new-to-the-world'

technology developer. Firms in different sectors present distinct ways of combining different resources and/or capabilities in order to achieve rapid internationalisation and a high level of international commitment (Table 5.1).

		Speed	BGs	Modes	mMNEs
Low-tech	Low-tech manufacturer	IEO Industry experience Entrepreneur network Government resources	SME 7, SME 10, SME 17 (export only)	IEO Network capability Industry experience	SME 1 (export, international acquisition, international subsidiary) SME 30 (export, international subsidiary) SME 38 (export, international subsidiary)
	Low-tech retailer/wholesaler	Industry experience Entrepreneur network Digital platform resources	SME 9, SME 11, SME 22, SME 23, SME 24, SME 26, SME 39 (export only)	IEO Entrepreneur network Network capability	SME 29 (export, international joint venture)
High-tech	'New-to-the-world' technology developer	IEO Entrepreneur network Innovation capability Network capability	(All of them present a higher order of modes)	IEO Entrepreneur network Innovation capability Network capability	SME 12 (international strategic alliance) SME 27 (international subsidiary) SME 31 (international

					subsidiary, international strategic alliance) SME 33 (international strategic alliance) SME 34 (international strategic alliance)
	High-tech manufacturer	IEO Industry experience Network capability	SME 15, SME 16, SME 18, SME 20 (export only)	IEO Network capability Innovation capability	SME 13 (export, international strategic alliance) SME 14 (export, international strategic alliance)
	High-tech software developer	IEO Industrial experience Network capability Digital platform resources	SME 4, SME 32 (international licensing only)	IEO Network capability Innovation capability	SME 3 (international licensing, international subsidiary) SME 5 (international licensing, international subsidiary)

Service provider	Knowledge-intensive service	IEO Industrial experience Digital platform resources	SME 2 (born-again global), SME 6, SME 8, SME 21, SME 25, SME 36, SME 37, SME 40 (service export only)	IEO Entrepreneur network Network capability	SME 19 (service export[1], international subsidiary) SME 28 (international subsidiary, international strategic alliance) SME 35 (service export, international strategic alliance, international subsidiary)

Table 5.1: The contribution of particular resources and capabilities on firms' patterns of internationalisation.

[1] The "service export" in this study particularly refers to the activities of selling services which are not tangible, does not require physical presence to foreign customers, such as human resource service, marketing service, and business consulting services. It is differentiated with software licensing which gives access directly for users to use the resources or functions.

As shown in table 5.1, the unique combinations of external and internal resources and capabilities lead to different patterns of internationalisation including BGs and mMNEs. On top of that, firms in different industries such as low-tech, high-tech and service industries present their combination of particular underpinnings of resources and capabilities. In particular, the empirical evidence reveals that the configuration of entrepreneur human capital (particularly IEO, industrial experience, and entrepreneur networks) and government enabled resources is a key for the low-tech Chinese SME manufacturers' rapid international market entry. In addition to the extant literature and due to the unique institutional environment of China (Bembom and Schwens, 2018; Lu et al., 2010; Musteen et al., 2010; Ughetto, 2016), the empirical evidence of this study shows that government enabled resources can be vital and, combined with the human capital, are able to increase SMEs' speed of internationalisation.

In support of previous studies (Li and Ding, 2017; Yan et al., 2018), the findings of this study reveal that the Chinese SMEs used to struggle to gain legitimacy in the domestic market and resources used to be dominated by SOEs. Economic reforms and policy changes in recent decades have, however, brought significant benefits for the internationalisation of Chinese SMEs. This is in line with existing literature that addresses the influence of Chinese government initiatives such as ' go global' and 'one belt one road' (Deng, 2009; He et al., 2018; Yan et al., 2018). Government policies and initiatives impel Chinese SMEs to join global competition and legitimise their risk-taking behaviour. The entrepreneurs/managers of low-tech manufacture firms have highlighted that their IEO is enhanced by the government support, especially on tax reduction, legal rights, and regional logistic facilities (such as the bonded area). In addition, their industry experience also play an important role when the industry is mature, so the entrepreneurs are able to acquire crucial knowledge of international markets. The resources configuration for rapid internationalisation of low-tech manufacturers also includes the entrepreneur networks which can be accumulated from their industry experience. Particularly the networks of firms that comprise the supply-chain partners are significant for manufactures.

Nevertheless, in order to involve foreign market modes of entry with high commitment, low-tech manufacturers are required to develop network capability. The ability of developing and exploiting international networks is highly required by the physical

presence (subsidiary) in foreign markets and the development of international partnership. This approach is in line with previous studies which claim that network capability can facilitate collaborative networks with international stakeholders (Parida and Örtqvist, 2015; Parida et al., 2017; Vesalainen and Hakala, 2014). In accordance with existing literature, which indicates that IEO can motivate firms to focus on international market and conduct entry modes with higher international commitment (Ripolles et al., 2012), IEO acts as an antecedent for the firms' tendency of conducting higher resource commitment to foreign markets, thus it is required in the resource configuration of mMNEs. Interestingly, firms in high-tech industries are more likely to involve high-commitment entry modes at initial stage, while firms in low-tech industries tend to conduct their initial foreign market entry via low-commitment modes then increase the resource commitment at later stage. The Chinese low-tech manufactures appear to follow an incremental manner from exporting to higher commitment foreign market entry modes, although they have achieved a rapid entry in international market. This approach supports the BGs literature (Chetty and Hunt, 2004; Coviello et al., 2017; Knight and Cavusgil, 2004; Liesch and Welch, 2018), but it also aligns the incremental internationalisation literature (Conconi et al., 2016; Johanson and Vahlne, 1977; 2009) as far as commitment is concerned

Similar to manufacturers in low-tech industry, the entrepreneurs of retail/wholesale firms in low-tech industry highly value their industry experience and networks for the rapid internationalisation of their firms. The government resources, however, have been substituted by the digital platform resources. In particular, the cross-border e-commerce retailers play a significant role for BGs in China. The findings show that Chinese SME exporters tend to have high levels of dependence on both B2B and B2C platforms as these can significantly enhance the speed of internationalisation. Existing literature has indicated that the cross-border e-commerce sales have been witnessing significant rise annually since 2008 (MOFCOM, 2019; UNCTAD, 2017), which proves that this sector is highly developed and has gained great export popularity (Jean and Kim, 2019; Wang et al., 2016). Consistent with other studies, which address the effect of internet-enabled resources on BGs' international expansion (Bianchi and Mathews, 2016; Coviello et al., 2017; Glavas et al., 2017; Shaheer and Li, 2018; Zeng and Glaister, 2016), e-commerce platforms provide valuable resources such as international networks, sales channels, and advertising services for retailers, which

can facilitate rapid internationalisation. In addition, this study highlights that the utilisation of the digital platform resources can be substantially enhanced by the industry experience of entrepreneurs in the e-commerce sector.

Noteworthily, the empirical evidence reveals that the entrepreneurs/mangers of BGs, which rely heavily on digital platforms, consider the importance of domestic supplier networks higher than international customer networks. In line with studies which claim that internet can ensure wide networks with foreign customers (Ellison et al., 2011; Glavas et al., 2016; Sigfusson and Chetty, 2013; Vasilchenko and Morrish, 2011), entrepreneurs/managers believe that purchasing the correct products from suppliers is more important than expanding their customer network internationally, as the latter can be naturally enabled by e-commerce platforms. Whilst previous studies have considered the characteristics of entrepreneurs/managers (such as education, work experience, and EO) as antecedent of the internet adoption (Bengtsson et al., 2008; Colombo and Delmastro, 2001; Sigfusson and Chetty, 2013; Odoom et al., 2017), this study further suggests that the industry experience and international orientation of entrepreneurs/managers can enhance the effect of digital platform resources. Therefore, the combination of the human capital as an internal resource, and the digital platform resources as an external resource, can enable the rapid internationalisation of firms in low-tech retail/wholesale industries. On the other hand, the empirical evidence illustrates that the e-commerce platform resources have limited contribution on the foreign market entry mode of low-tech retailers/wholesalers and suggests that a strong IEO and a dynamic network capability are considered key in pursuing high-commitment entry modes. The low-tech retailers'/wholesalers' resource configuration for entry modes is similar to the one of low-tech manufacturers, except retailers/wholesalers do not involve a production process, thus perceive a lower influence of government regulations and policies.

Furthermore, the combination of resources and capabilities is vital for the assurance of both speed and mode of internationalisation, according to entrepreneurs/managers of firms in the high-tech sectors. Entrepreneurs/managers of 'new-to-the-world' technology firms demonstrate important values such as strong IEO, network capability, innovation capability, and foreign markets networks. Interestingly, all types of firms included in this category have entered the international market by means of high-commitment modes which include international strategic alliance and international

subsidiary without previously engaging in export activities. At an early stage, firms which provide ‘new-to-the-world’ technologies are actively seeking access to global technological resources and partnerships for R&D purposes. In line with existing literature, those firms usually struggle to commercialise and tend to have a global focus as they face high uncertainty (Kriz and Welch, 2018; OECD, 2005). Aside from the high levels of IEO and innovation capability, the entrepreneurs’ networks and the network capability of firms are also crucial for the international expansion of mMNEs. Particularly, entrepreneurs’ international networks that have been accumulated from their experience of studying or working aboard can affect their access to global collaboration. This corroborates prior studies in that entrepreneurs’ networks can affect their selection of initial market entry modes (Bembom and Schwens, 2018; Evers and O'Gorman, 2011; Zain and Ng, 2006). Additionally, the internationalisation of the ’new-to-the-world’ technology firms requires network capability in order to utilise entrepreneurs’ international networks and develop new international partnerships. In other words, the rapid and high-commitment international market entry of ’new-to-the-world’ technology firms, require the combination of IEO, innovation capability, entrepreneur networks, and network capability.

Furthermore, the combination of resources and capabilities for the rapid international market entry is similar between high-tech manufacturers and software developers. Both emphasise the factors of IEO, industry experience, and network capability; although software developers can benefit strongly from the support of digital platforms. Building on the extant research which suggests that B2C products and highly standardised products are more suitable for selling online (Gabrielsson, 2005; Reuber and Fischer, 2011; Yang and Gabrielsson, 2018), this study further suggests that similar phenomena can be observed in digital products. Specifically, firms which provide digital products directly to customers (B2C), such as video games and mobile applications, rely heavily on digital channel platforms for sales and marketing. The resources which are enabled by digital platforms can allow B2C firms to achieve rapid international market entry via licensing. Shaheer and Li (2018) note that cultural, administrative, and economic distance to foreign markets for digital firms, B2C firms may be constrained by cultural and language barriers. In order to overcome this constraint, those firms require to obtain strong IEO and industry experience. On the other hand, entrepreneurs of firms which provide digital products to client-

companies/organisations, highly value the factor of network capability as it allows them to develop and enhance their international networks with clients. Moreover, in this study, the mMNEs in high-tech manufacturing and software sectors appear to combine the factors of IEO, network capability, and innovation capability. Consistent with the existing literature (Najafi-Tavani et al., 2018; Parida and Örtqvist, 2015; Zeng et al., 2010), this study presents the emphasis of firms on their innovation capability development and the necessity of acquiring international resources which can facilitate their collaboration with foreign companies and institutions.

Another main category of firms in this study is the service providers; empirical evidence reveals that IEO is a key for speed and mode of their internationalisation process. Perceptibly, digital platform resources are important for the speed of the service providers' internationalisation, while they have limited contribution to entry modes of high commitment. In view of the fact that traditional services can be digitalised and delivered online to customers in the international market, this process can assure a fast market entry. Similarly, previous studies have addressed this process as 'wired export' and 'online internationalisation' of service firms (Roberts, 1999; Yamin and Sinkovics, 2006). This study provides additional knowledge to these phenomena by highlighting that the digitalisation of traditional services (such as human resources service, market research service, and education service) can significantly improve the efficiency of international expansion of service firms but does not lead to involving a higher resource commitment if those firms demonstrate a low level network capability. A strong network capability of developing international partnership or networks in the foreign markets acts as an important driver for service firms in order to pursue higher resources commitment or physical presence in foreign markets. This study provides additional knowledge building on existing studies which suggest that service firms tend to involve a controlled entry market mode (Ekeledo and Sivakumar 2004; Wentrup, 2016).

This study provides a holistic view of how external and internal resources and capabilities contribute to SMEs' internationalisation in terms of speed and mode (figure 5.1), it also highlights the unique combinations of different resources for the internationalisation of BGS and mMNEs, as well as the divergence across various industries. First and foremost, external resources, such as ecommerce platform-enabled sales channel and government-provided legal rights, can be directly

combined with firms' current resource base aiming to contribute to the firms' internationalisation. Secondly, firms can utilise internal resources and capabilities in order to access and acquire external resources which are required for their international expansion. For example, network and innovation capabilities can enable high-tech firms to achieve a rapid international market entry and global partnerships. Thirdly, external resources can assist firms in developing internal resources and capabilities which are considered key for their international development. For instance, digital platform resources can assist firms in developing their network capability, and government support can enhance the IEO of entrepreneurs.

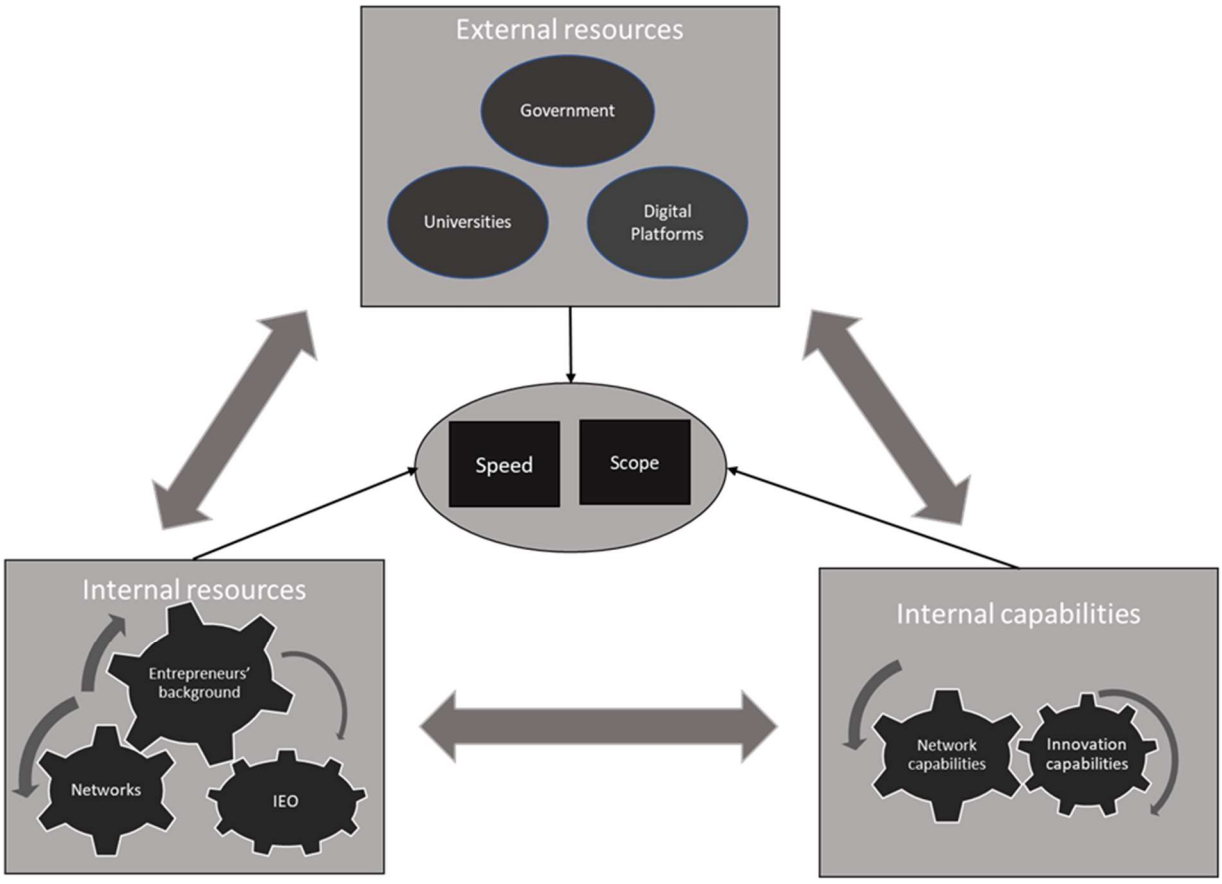


Figure 5.1: The configuration and interaction of resources and capabilities for firms' internationalisation

5.3 The interaction among different resources and capabilities.

This study addresses three ways of interaction among different resources and capabilities and analyses their role in the internationalisation process of SMEs. Figure 5.1 illustrate both the independent and interchangeable roles of resources and capabilities in SMEs' internationalisation. The three ways of interaction include: a. the interaction between the internal resources and capabilities of firms; b. the interaction between internal and external resources of firms; c. the interaction between the internal capabilities and external resources of firms (as demonstrated in Figure 5.1). The interaction and combination of resources and capabilities can significantly influence the international behaviour of SMEs including speed and mode. The versatile role of resources has derived from the theory of Penrose (Penrose, 1959; Nason and Wiklund; 2018). This study extends this theory in IB context by incorporating a capability perspective and by highlighting the versatile nature of capabilities. Building on previous studies, which have suggested that resources and capabilities can be complemented or substituted by each other (Deng and Zhang, 2018; Parida and Örtqvist, 2015; Shaheer and Li, 2018; Yang et al., 2018), this study provides a holistic view of those phenomena by including the three ways interaction in a different industry context. Specifically, each of the resources or capabilities may have a different role (complementary or substitutive) depending on the context. Furthermore, this study highlights that resources and capabilities which are required for the international expansion of SMEs can be developed in multiple ways.

The resources and capabilities of firms can be developed internally and independently, therefore, the versatility of certain resources and capabilities enables entrepreneurs to reconfigure them or utilise them in order to develop other resources/capabilities. In light of the recent study of Nason and Wiklund (2018), this study identifies the versatile nature of the human capital excluding industry experience which is considered as strongly bounded by the particular industry context. In other words, entrepreneur human capital is a key bundle of resources for the capability building of firms, whilst the combination of resources and capabilities which affect their international expansion varies across industries. For example, the education background of entrepreneurs in high-tech industry, especially in 'new-to-the-world' technology firms, can significantly contribute to the innovation capability of firms. Furthermore, in accordance with existing literature (Filatotchev et al., 2009; Yamakawa et al., 2013), this study addresses that entrepreneurs' experiences of studying or working abroad

can enhance their knowledge of international markets and networks. In consistence with existing literature which claims that the network capability of firms is driven by resources of their entrepreneurs (McGrath and O'Toole, 2013; Zhou et al., 2010), empirical evidence also reveals that the entrepreneurial human capital including experiences, networks and IEO can contribute to the network capability development of firms.

Furthermore, this study highlights that the firms' international network capability can be enhanced by the entrepreneurial human capital. Moreover, the education background of entrepreneurs can affect the innovation capability of their firms. The empirical evidence also proves that entrepreneurs with a high level of education in high-tech industries are more likely to be innovative and emphasise on their firms' innovation capability development. Consistent with existing studies which indicate that the entrepreneurial human capital including education, experiences, and expertise can significantly influence the innovation capability development (Khan and Altaf, 2015; Mellett, et al., 2018; Zhang and Hartley, 2018). Existing literature indicates that the network resources of entrepreneurs can complement or even substitute firm-level resource base (Kellermanns et al., 2016); the analysis of this study further reveals that the entrepreneurs' networks can complement their individual level resources including their industry experience and education background. In addition, the importance of industry experience of entrepreneurs in the international expansion of firms can be substituted by their level of education and their international networks in 'new-to-the-world' technology sectors.

Moreover, resources can be acquired from external stakeholders directly through inter-organisational networks, and those external resources can be exploited for the internal resources development of firms. For example, entrepreneurs' experiences of studying or working abroad can enhance their knowledge of international markets and networks, which can enable them to access external resources in international markets. It is claimed that the international experience of entrepreneurs can reinforce their experiential knowledge and improve the speed of their firms' internationalisation (Cannone and Ughetto, 2014).The experience of studying aboard, specifically, can develop the high-tech entrepreneurs' IEO and provide them with access to the innovation resources of foreign universities or research institutions. Therefore, firms are more likely to conduct rapid international expansion and collaboration when they

demonstrate strong IEO and gain access to resources owned by international stakeholders. Although previous studies have acknowledge that BGs commonly demonstrate high levels of IEO/EO (Covin and Miller, 2014; Knight, 2001; Lumpkin and Dess 1996; Reuber et al., 2018; Zhou, 2007), the empirical findings of this study in the Chinese context reveal that the importance of IEO can be substituted by the external resources provided by digital platforms. Chinese exporters' high dependence on ecommerce platforms enables them to achieve rapid internationalisation but may also hinder entrepreneurs' IEO. The entrepreneurs of cross-border ecommerce retailers which rely highly on ecommerce platforms demonstrate relatively low levels of proactiveness, innovativeness, and risk-taking. This phenomenon adds additional knowledge to the existing literature which argues that customer-related resources such as online communities can complement or substitute the entrepreneurial resources (Shaheer and Li, 2018; Ye et al., 2012). Furthermore, external resources can facilitate the international resource development of firms. Besides various studies which have suggested that the government role in providing regulative and financial support, and innovative resources (He et al., 2016; He et al., 2018; Huang, 2016; Mazzucato, 2011), this study indicates that those resources can also enhance the IEO of entrepreneurs.

Furthermore, external resources can facilitate the firms' internal capabilities development, whilst their network capability can improve the accessibility and exploitation of their external resources. Aside from the findings of the existing literature, which reveal that the capabilities of firms act as an intermediary which affects the relationship between external resources and the firms' outcome (Lu et al., 2010), this study proposes that firm's capabilities which contribute to their internationalisation can be enhanced by external resources. In relation to the existing literature which proposes that network capability can complement the technology-related capability (Parida and Örtqvist, 2015; Yang et al., 2018), this study also identifies the complementary effect of network capability on innovation capability. Apart from the entrepreneur resources, this study also identifies the versatility of network capability. Specifically, network capability enables firms to access technological or R&D resources of external actors which can be exploited for the innovation capability development of firms. Although network capability is identified as substitutive for customer-related capability of firm (Yang et al., 2018), empirical

evidence of this study reveals that network capability cannot substitute the effect of entrepreneurial human capital on the international expansion of firms. Rather, network capability is often combined with the entrepreneur human capital, especially IEO, in order to facilitate rapid international expansion and high level of international commitment.

Network capability has been widely studied by existing literature for its contribution of accessing external resources (Gulati et al., 2000; McGrath et al., 2018; Parida et al., 2017). Likewise, the analysis of this study indicates that network capability itself can be enhanced by the support of external resources such as the digital platforms. Furthermore, it is indicated that the innovation capability of firms can be improved by the government support on their R&D activities. This approach contrasts with the findings of Zeng et al. (2010) which suggest that the government has only a limited influence on the innovation outcome of SMEs in China. The support provided by government includes tangible resources, such as funding, facilities and workspace, and intangible resources, such as cluster/innovation park networks. Those external resources, however, are required to be exploited in order to be able to cause an impact; thus, firms are required to develop network capability in order to improve their utilisation of external resources. In addition, the effect of external resources also depends on the industry context. For example, the support of government resources on innovation capability development principally exist in high-tech firms. The findings reveal that Chinese SMEs especially high-tech firms benefit from government's direct (financial support and facilities) and indirect support (networks) on entrepreneurship and innovation capability development. However, managing the relationship between the firm and government can be complex and time-consuming, thus some firms are not keen on exploiting government resources.

Resources and capabilities can be developed jointly with external stakeholders through collaboration. As indicated by former studies, firms can develop resources/capabilities with their external partners and share the outcome with them (Najafi-Tavani et al., 2018; Ruzzier et al., 2006). In this case, the resources are shared between firms and their partners and are not 'controlled' by external actors. For example, the empirical observations reveal that high-tech firms are more likely to collaborate with universities and research institutions for R&D purposes; this collaboration can also contribute to the innovation capability development of firms. The

empirical evidence, however, presents that the outcome of this collaboration may be limited in the Chinese context due to the academics' lack of industry experience. Many managers mentioned in the interviews that the efficiency of technology transfer with universities is often poor. On the contrary, existing studies posit that the university-industry collaboration can improve the innovation outcome of firms (Belderbos et al. 2004; Lasagni, 2012). Although high-tech firms, especially the 'new-to-the-world' technology firms have a strong necessity for accessing international technological resources, empirical evidence proves that potential alliances with foreign companies can significantly assist firms in developing their innovation resources. Nevertheless, low-tech firms are less likely to seek international collaboration for R&D purposes; instead, they tend to collaborate with foreign business partners in order to develop and share their marketing, supply chain, or sales channel resources.

Conclusively, both internal and external resources and capabilities of firms have strong effect on their international expansion, which is difficult to be viewed separately; their reciprocal relationship rises the demand for investigating the firms' configuration/combination of resources and capabilities. Therefore, this study presents the resources and capabilities configuration of internationalised SMEs and bring novel nuances to the RBV within the IB context in alignment with the idea that firms require a particular set of resources in order to attain a desired outcome (Tan and Mathews, 2015; Falahat et al., 2018; Grant, 1991; Penrose, 1959). Since this study focuses on the managers' perceived importance of resources and capabilities for the international expansion of firms, this study has identified particular sets of resources and capabilities for rapid or high-commitment foreign market entry based on entrepreneurs'/managers' perception. The analysis has shown that the entrepreneurs'/managers' perceived benefits of specific resources and capabilities for internationalisation can be shaped by their background (such as education and industry experience) and the industry of the company, for example entrepreneurs who have top level of education in science and technology related degrees tend to emphasize the innovation capability development of their firms, and are more likely to present strong IEO. Similarly, entrepreneurs/managers of firms in retail sector perceive strong advantage of utilizing digital platform resources.

Based on the analysis of the 31 BGs, this study has demonstrated the resources/capabilities configuration of firms in high-tech, low-tech, and service

sectors, in order to provide a deeper understanding of the way resources and capabilities influence the firms' speed of internationalisation. Specifically, low-tech firms and service firms leverage the combination of human capital and external resources, particularly government and digital platform resources, in order to rapidly internationalise across multiple countries. High-tech firms present a propensity to combine resources with capabilities internally and externally in order to achieve their rapid international market entry, especially IEO as an antecedent and network as an essential capability. Furthermore, the firms' foreign market entry modes present higher possibilities to require firm capabilities. In this study, mMNEs in the low-tech sectors and service industry combine IEO and network capability, while the high-tech mMNEs require innovation capability, human capital, and network capability in order to engage in modes with high international commitment.

Based on the analysis of the empirical evidence, this study has identified the versatile nature of specific resources and capabilities including the education background of entrepreneurs, IEO, networks, and the network capability of firms. On the other hand, the industry experience of entrepreneurs presents a non-versatile nature. Due to the versatile nature of resources, entrepreneur human capital and firms' network capability can be combined or recombined with different resources/capabilities in order to attain specific targets, as well as be deployed by firms in order to develop other resources and capabilities. For instance, network capability can be combined with other resources/capabilities in order to achieve different patterns of internationalisation, assist firms in accessing external resources, and exploit those resources for the development of their internal resources/capabilities.

Furthermore, this study has underlined the complementary and substitutive effects among various internal/external resources and capabilities (Deng and Zhang, 2018; Parida and Örtqvist, 2015; Shaheer and Li, 2018; Yang et al., 2018). For example, the analysis of the findings indicates that entrepreneurs' networks can complement other resources including industry experience and education background. Furthermore, digital platform-enabled resources can complement or even substitute entrepreneur resources. For instance, resources provided by digital platforms can substitute the role of entrepreneurs' EO in the international expansion of the low-tech SMEs. On the other hand, network capability can complement the innovation capability of firms but cannot substitute the importance of entrepreneur human capital in the speed and mode of the

firms' internationalisation. The internal capabilities of firms can also be complemented by external resources, for instance the digital platform resources can complement their network capability. Overall, this study has provided three ways of interaction among firms' internal resources, capabilities, and external resources in order to provide an understanding of the patterns of Chinese SMEs' internationalisation.

5.4 Summary

This chapter has discussed the findings with respect to the extant literature. Thereby, this chapter serves the research aim and objectives, and illuminates how resources and capabilities can be configured and recombined for achieving particular goals of Chinese SMEs' international expansion. Specifically, two significant facets have been addressed by this chapter: the configuration of various resources and capabilities that needed for the internationalisation of patters of BGs and mMNEs; and the three ways of interaction among firms' internal resources, capabilities, and external resources provided by other stakeholders.

Chapter 6: Conclusion

6.1 Introduction

This chapter summarises the key findings of this study, highlights the contributions, as well as pointing out the limitations of study and provides recommendations for further research.

This study investigated the combination of specific resources and capabilities for the speed and entry mode of firms' internationalisation. It sheds light on the versatile role of resources and capabilities: not only external and internal resources and capabilities can directly facilitate firms' internationalisation, they can also complement or substitute each other, as well as being employed by firms to develop other resources. Based on the analysis of two main internationalisation patterns (BGs and mMNEs) of firms across sectors in the sample, this study unfolds the relationships as following: human capital and external resources can significantly drive the speed of internationalisation for BGs in low-tech industries; the combination of human capital, firm capabilities and external resources is key for the speed of internationalisation of BGs in high-tech sectors; the joint effect of human capital and firm capabilities can facilitate the high-commitment foreign market entry mode for mMNEs. Furthermore, this study highlights the interplays between different resources and capabilities: a. firms can employ network capabilities to develop innovation capabilities through relationships with external stakeholders to access their resources; b. the external resources (enabled by digital platforms) can substitute the need for strong IEO as an internal resource; c. human capital (particularly IEO and entrepreneurs/managers background) can play an important role in complementing external resources and internal capabilities.

6.2 Contributions and recommendations

6.2.1Theoretical Contributions

This study makes several contributions to the IB literature using RBV. Specifically, it adds knowledge to the IB field by presenting the specific configuration of resources and capabilities of firms and by following the internationalisation patterns of BGs and mMNEs. It discusses how this specific combination of resources and capabilities can

affect firms' speed and mode of internationalisation across different sectors, thus enriching the current IB literature. This responds to the need for additional research on the non-financial international outcomes of firms, especially with respect to patterns of internationalisation (Baum et al., 2015; Cavusgil and Knight, 2015; Kriz and Welch, 2018). By studying the international behaviour of entrepreneurial SMEs from China, this research enriches the IE literature and highlights key entrepreneurial factors such as IEO in SMEs' internationalisation. It also contributes to the IE literature through an analysis of two main patterns, BGs and mMNEs, which are entrepreneurial firms that challenge the traditional process theory of internationalisation.

Furthermore, this study adds knowledge to RBV in relation to three specific aspects: the combination/configuration of resources and capabilities, the versatile nature of these, and the three ways in which they interact. To respond to calls in recent studies on RBV, the analysis of the empirical evidence is based on the perceptions of entrepreneurs/managers (i.e. Kellermanns et al., 2016). This study therefore enriches the existing literature by providing insights into managerial perceptions of resources and capabilities in relation to internationalisation of their firms.

In response to a requirement for additional studies on entrepreneurial SMEs in the context of emerging markets (Deng, 2012; Falahat et al., 2018; Lin et al., 2016; Terjesen et al., 2016; Zander et al., 2015), this study provides empirical evidence from the Chinese context. The unique institutional and cultural setting of China demonstrates the distinct effects of external resources (government, university, and digital platform resources) on the resource configuration and internationalisation of firms.

6.2.2 Managerial contributions

From a managerial perspective, this study provides entrepreneurs/managers with an enhanced understanding of how they can utilise, configure, and enhance different resources and capabilities to support their firms' internationalisation. Firstly, it provides knowledge of the interaction and combination of the internal resources and capabilities of firms. The versatile role of resources can be overlooked by managers in practical scenarios; therefore, this study provides a roadmap to which firms can refer. Secondly, it highlights the role of external resources that can be utilised by entrepreneur/ managers to develop their firms' internal resources and capabilities. This study has

certain practical value as managers may not be aware of the external resources that are useful for internationalisation, nor do they know how to employ the internal resources and capabilities to access these. Finally, this study may help entrepreneurs/managers from different industries to identify the optimal resources/capabilities configuration for their respective businesses. This provides context-bounded knowledge of SMEs. internationalisation for firms in different industries. In addition, given the distinctiveness of China's institutional and cultural environment, this study will assist Chinese entrepreneurs/managers in recognising some of the environmental factors that can affect their international strategies. Furthermore, insights into international SMEs from the Chinese context may enhance understanding of the Chinese market among Western firms looking to expand their businesses to China.

6.3 Limitations

Although great effort has been made in order to obtain empirical evidence and ensure the representativeness of the sample, several limitations can be identified in this research. Furthermore, the access to data collection heavily depends on the interpersonal networks (Guanxi) in China. Therefore, in this study, the snowballing technique has proven to be the most effective mean of interview conducting. Nonetheless, this may limit the opportunity of identifying variances across firms in the same industry. Due to the interpretative nature of this study, it is particularly important to be able to identify variances among groups or individuals (Gehman et al., 2018). In order to minimise this limitation, this study has collected interview data from SMEs in various industries, and each industry contains multiple firms.

Furthermore, many firms in the context of this study are newly established or at their early stage of internationalisation, which may impede this study in revealing the speed of firms' expansion to different markets and their growing level of international resources commitment. However, these firms represent the group of young ventures, which are particularly suitable for studying BGs. The cross-sectional design of this study can cause limitation for observing further changes of SMEs' international activities. In addition, due to China is a large country and has its own regional development policies, variances can exist among different cities and provinces.

Although the research has made best effort to collect data from eight cities, more data could be collected from other regions.

Finally, the research design employed for this study limits the generalisability of the findings. Although the purpose of this study is not to test existing theory but generate new insights, it nevertheless provides possibilities for future research to generalise the findings by conducting quantitative studies with large SME samples.

6.4 Future research

This study demonstrates a few directions for future research in the RBV and IB literature. Firstly, the three ways of interaction among internal and external resources and capabilities which are presented in this study can be further studied or compared in a different country context. Due to the contextual characteristics of this study, different results may be found in another country context. Future research can apply those mechanisms in other emerging economies in order to explore the similarities or differences between different contexts. This may provide possibilities to produce generalizable results in the future.

Secondly, longitudinal studies can be conducted in order to overcome the limitation of observing the growth and continuous effects of resources and capabilities in internationalisation of firms in difference contexts. This approach is in line with the recommendations of numerous researchers which have indicated the necessity of longitudinal studies, especially in the IB field (Baum et al., 2015; Knight and Liesch, 2016; Schwens et al., 2018; Terjesen et al., 2013; Zhou et al., 2010).

Thirdly, this study strongly recommends future researchers to conduct regional analysis in the market of China, because of the existence of regional bias in the empirical evidence identified in this study. Due to China's regional development policies, it is important to investigate the way the different regional policies and resources can shape the international behaviour of firms, especially in case where the majority of current IB studies in China have focused on developed cities such as Shanghai, Beijing, and Hangzhou and while the issues in less developed countries are under research. Finally, future research can conduct multiple level of analysis based on the findings of this study, including firm level of analysis and industry level of

analysis. This can add different dimensions of studying the phenomena and enhance the current understanding.

6.5 Summary

Based on the discussion, several contributions have been highlighted by this chapter. In the end, this chapter has identified limitations of this study, as well as providing suggestions for future research.

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Appendices

Appendix A

	BGs	Born-again-globals	mMNEs
SME 1	√		√
SME 2		√	
SME 3	√		√
SME 4		√	
SME 5			√
SME 6	√		
SME 7	√		
SME 8	√		
SME 9	√		
SME 10	√		
SME 11	√		
SME 12			√
SME 13		√	√
SME 14			√
SME 15	√		
SME 16	√		
SME 17	√		
SME 18		√	
SME 19			√
SME 20	√		
SME 21	√		
SME 22	√		
SME 23	√		
SME 24	√		
SME 25	√		
SME 26	√		
SME 27			√
SME 28			√

SME 29	√		√
SME 30	√		√
SME 31			√
SME 32	√		
SME 33			√
SME 34			√
SME 35	√		√
SME 36	√		
SME 37	√		
SME 38	√		√
SME 39	√		
SME 40	√		√

Table 0.1. Internationalisation Patterns of Firms

Appendix B

MODEL PARTICIPANT INFORMATION SHEET

Checklist – you should complete each of these headings in detail – see Participant Information Sheet Guidance

Study title

Exploring the Impact of Internet Adoption on the International Performance of Small and Medium-sized Enterprises (SMEs) in China

Invitation Paragraph

I would like to invite you to take part in this study; your ideas and thoughts are highly valued and may enable this study to achieve contribution to knowledge. All the data and information that will be collected from you are for academic purpose and considered as confidential. Please take your time to read the instruction of this project, and feel free to ask questions. I would really appreciate your time of taking part of this research project.

What is the purpose of the study?

This study aims to explore the influence of internet on Chinese SMEs' internationalisation in an integrative and comprehensive perspective, thus it facilitates the mangers to consider the whole picture of incorporating internet technology into the international strategy and how they can benefit from it.

Why have I been invited to participate?

This study collects empirical data especially primary data to be able to intensively explore the knowledge on this topic as well as testing the variables and hypotheses of the conceptual

model. Ideal participants are the decision makers at the managerial level of international SMEs, for example senior managers or founders. Approximately 20 participants will take part in this research project after getting approval from the firms.

Do I have to take part?

You can decide to take part in this study or refuse it, and there is no problem if you do not want to continue and wish to withdraw during the process. The research will explain the research project to you, and if you would like to participate we will ask you to sign a consent form.

What will happen to me if I take part?

It will take you approximately 1.5 hours to take part in the interview with us and answer some questions, and you have the chance to ask us questions too.

What do I have to do?

You are welcomed to explore the topic and issues with us, and it will be highly appreciate if you could reflect your true opinions on our different questions. All questions we will ask are related to the topic and our theoretical model development.

What are the possible disadvantages and risks of taking part?

There is no risk regarding to the nature of this study, it aims to help company to enhance the understanding of internet adoption in international business activities, and improve international performance of the company. We will avoid the sensitive questions that you do not wish to answer.

What if something goes wrong?

The procedure of data collection is carefully designed and evaluated, and we will strictly protect participants' information. If you have any concerns or unclear information, please contact the researcher directly via email: hongyi.yang@brunel.ac.uk. If you wish to complain,

please contact the Chair of the College of Business, Arts and Social Sciences Research Ethics Committee, email cbass-ethics@brunel.ac.uk

Will my taking part in this study be kept confidential?

Yes, personal information's of participants such as name or address is not requested, and all data will be with the researcher and kept strictly confidential.

What will happen to the results of the research study?

The results of the research study will test the theoretical model and contribute to the existing literatures and knowledge in the field. It may have an opportunity to turn the research study into academic publications.

Who is organising and funding the research?

The researcher is self-funded, thus this research project is not funded by any organisation, and the participation is voluntary. The institution behind the research is Brunel University London.

What are the indemnity arrangements?

Brunel University London provides appropriate insurance cover for research which has received ethical approval.

Who has reviewed the study?

The Collage of Business, Arts and Social Sciences Research Ethics Committee.

"Brunel University is committed to compliance with the Universities UK Research Integrity Concordat. You are entitled to expect the highest level of integrity from our researchers during the course of their research."

Contact for further information and complaints

Hongyi Yang

Brunel University London

Hongyi.yang@brunel.ac.uk

Appendix C

SAMPLE CONSENT FORM

The participant should complete the whole of this sheet		
Please tick the appropriate box		
	YES	NO
Have you read the Research Participant Information Sheet?	☐	☐
Have you had an opportunity to ask questions and discuss this study?	☐	☐
Have you received satisfactory answers to all your questions?	☐	☐
Who have you spoken to?		
Do you understand that you will not be referred to by name in any report concerning the study?	☐	☐
Do you understand that you are free to withdraw from the study:		
• **at any time?**	☐	☐
• **without having to give a reason for withdrawing?**	☐	☐
• **(where relevant, adapt if necessary) without affecting your future care?**	☐	☐
(Where relevant) I agree to my interview being recorded.	☐	☐
(Where relevant) I agree to the use of non-attributable direct quotes when the study is written up or published.	☐	☐
Do you agree to take part in this study?	☐	☐
Signature of Research Participant:		
Date:		
Name in capitals:		
<u>Witness statement</u>		
I am satisfied that the above-named has given informed consent.		
Witnessed by:		

Date:
Name in capitals:

Researcher name: Hongyi Yang	**Signature:**
Supervisor name: Dr Cristina Stoian	**Signature:**

Appendix D

College of Business, Arts and Social Sciences Research Ethics Committee
Brunel University London
Kingston Lane
Uxbridge
UB8 3PH
United Kingdom

www.brunel.ac.uk

8 December 2017

LETTER OF APPROVAL

Applicant: Miss Hongyi Yang

Project Title: Exploring the Impact of Internet Adoption on the International Performance of SMEs in China

Reference: 8620-LR-Dec/2017- 9186-2

Dear Miss Hongyi Yang

The Research Ethics Committee has considered the above application recently submitted by you.

The Chair, acting under delegated authority has agreed that there is no objection on ethical grounds to the proposed study. Approval is given on the understanding that the conditions of approval set out below are followed:

- The agreed protocol must be followed. Any changes to the protocol will require prior approval from the Committee by way of an application for an amendment.

Please note that:

- Research Participant Information Sheets and (where relevant) flyers, posters, and consent forms should include a clear statement that research ethics approval has been obtained from the relevant Research Ethics Committee.
- The Research Participant Information Sheets should include a clear statement that queries should be directed, in the first instance, to the Supervisor (where relevant), or the researcher. Complaints, on the other hand, should be directed, in the first instance, to the Chair of the relevant Research Ethics Committee.
- Approval to proceed with the study is granted subject to receipt by the Committee of satisfactory responses to any conditions that may appear above, in addition to any subsequent changes to the protocol.
- The Research Ethics Committee reserves the right to sample and review documentation, including raw data, relevant to the study.
- You may not undertake any research activity if you are not a registered student of Brunel University or if you cease to become registered, including abeyance or temporary withdrawal. As a deregistered student you would not be insured to undertake research activity. Research activity includes the recruitment of participants, undertaking consent procedures and collection of data. Breach of this requirement constitutes research misconduct and is a disciplinary offence.

Professor David Gallear

Chair

College of Business, Arts and Social Sciences Research Ethics Committee
Brunel University London