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Thesis for the Degree of Doctor of Philosophy

**Internationalization Speed and
Entry Mode Choice of
Chinese New Ventures**

by

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Department of International Commerce and Logistics

The Graduate School

Pukyong National University

February 2008

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중국벤처기업 국제화
속도와 해외시장진출 형태 결정에
관한 연구

Advisor: Prof. Soon-Gwon Choi

by

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A thesis submitted in partial fulfillment of the requirements
for the degree of

Doctor of Philosophy

in Department of International Commerce and Logistics,
The Graduate School,
Pukyong National University

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Abstract

A universal phenomenon exists. Due to recent technological advances, the business environment has seen a rapid progression towards internationalization with industries among developed countries understanding the benefits of international trade. Though, this approach is not just confined to large companies, with many small to medium sized companies (SMEs) also involved. Therefore, it comes of no surprise that Chinese companies are beginning to venture into the global market and looking for a spice of the pie. The methods used for new ventures by Chinese SMEs are causing analysts to revise their theories on internationalization.

The most popular traditional theory for internationalization of SMEs is the Uppsala Internationalization Process (UIP). This perspective contends that firms become international in a slow and incremental manner which may be due to lack of knowledge about foreign markets,

high risk aversion, high perceived uncertainty, or similar factors. The most popular new theoretical perspective is the International New Ventures (INV), it points out that more and more new ventures start their companies internationally without incremental stages, and the INV perspective claims that the UIP perspective lacks the ability to explain these types of new ventures.

The purpose of this paper is to find out which theory can be applied to the internationalization phenomena of Chinese New Ventures (CNV). Is it the traditional theatrical perspective – UIP - or the new theatrical perspective - INV? The thesis examines both theories and offers a conclusion based on research which was separated into two parts

In the first part, I identified and confirmed the difference explanation power on the internationalization speed of CNV by the factors of international experience and entrepreneurship that comes from the UIP and INV perspectives. In the second half, I investigated when a CNV chooses the foreign market entry mode, whether they will follow the forecast of the UIP or INV perspective. The methodology study is as follows: First, I established a theoretical research framework of internationalization speed and entry mode choice of a CNV through archival analysis, and then I identified and confirmed this framework with empirical analysis. Then I created a survey and case observation. Finally, I compared explanation power of internationalization of CNVs between the two perspectives.

The main findings of this study are: 1) The traditional (UIP) perspective is still applicable in a CNV case. The international experience of members of a Top Management Team (TMT) had a key

role in the process of internationalization of CNV, this is an essential tenet of the UIP perspective. When CNVs select foreign market entry modes, they followed the UIP viewpoint in a certain sense. 2) The new (INV) perspective is necessary; the start-up time for an international business by a CNV is short. Entrepreneurship is an important factor in the internationalization of a CNV. However, based on the study, the two perspectives should undergo modification. Action-oriented members of TMTs should be considered by the UIP perspective, and INV perspective should explain how to overcome international barriers during the initial period.

This research is an initial study. There are some limitations, for example, the sample is not enough, there maybe some bias about the procedure and instrument. In future study, it is necessary to extend the study by conducting a further empirical test, more research should be done to examine any additional factors that might have an influence on the internationalization of SMEs. Furthermore, the investigation might be extended to domestic and international SMEs in order to compare the behavior of domestic and international firms.

Key word: SMEs' internationalization, Uppsala Internationalization Process perspective, International New Ventures perspective, Internationalization speed, Foreign market entry mode

ACKNOWLEDGEMENT

I have always been willing to go into research and even pursue a Doctoral of Philosophy, but it would have been impossible without the help and support of Professor Soon-Gwon Choi, who gave me this chance in the best place for me at the time that I needed the most in my life. It is really very difficult to express how much I appreciate you for all your support during last years, especially all your lessons, knowledge, work ethic, dedication to the teaching, and kindness.

I especially wish to thank chairman of my dissertation committee, Dr. Kwang-Woon Yun, for his continuous support and guidance during the time I was conducting this study. I would also like to thank Dr. Myung-Shin Ha, Dr. Jung-Hee Lee, and Dr. Seog-Soo Kim for taking time out of their busy schedules to serve on my dissertation committee. They provided valuable feedback to develop research.

I would also like to express the greatest love to my wife, Bing, who copes with me all those days, months and years. Without your love, support, and encouragement this would not have been possible. Your love mean to me more than you know.

I would like to thank my mother and my family for all the faith they have in me.

And last, but not least, great thanks to my father who have left us but taught me something that last all my life, to love China.

Xin-quan

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Chapter 1 Introduction

1.1 Background

Due to the current advancement in information and communication technologies and the tendency towards globalization of markets, a growing number of small and medium- sized enterprises (SMEs) have begun to operate abroad. For example, the comparative ratio of SMEs involved in foreign direct investment (FDI) is increasing rapidly (Acs, Morek, Shaver, and Yeung, 1997). Furthermore, international mergers and acquisitions (M&A) by SMEs has seen a growth in activity.

Chinese SMEs have begun to play a critical role in Chinese economy. In the future, if China does not rely on the collective growth of the SME sector, her economy will not improve. To encourage wealth and to secure greater international competitiveness, the Chinese government is concentrating their attention on encouraging the development of international business by SMEs. To cope with the changing environment, the orientation towards international involvement is a necessary choice for Chinese SMEs.

Internationalization is a critical factor in the era of global management and participation is recommended to SMEs and multinational enterprises (MNEs). However, an internationalization process entails risks and the investment of resources. International expansion involves risks (Zacharakis,1997), including political instability in the target market,

expropriation, social unrest, fluctuating exchange rates, poor infrastructures, host government regulations, differing languages, norms, religions, and legal systems. MNEs are able to successfully handle most of these risks because they have strong information networks. But because of limited recourses, and lack of international knowledge and experience, the early stages are very difficult for the new ventures when starting international operations.

Previous comparative analyses studies were conducted on traditional MNEs which focused on the internationalization process of SMEs in terms of traditional theories. The most popular traditional theory for internationalization of SMEs is the Uppsala Internationalization Process (UIP) theory presented by Johanson and Weidersheim-Paul (1975) and formalized by Johanson and Vahlne (1990). This is one of the most widely referenced models for explaining the development of a firm's international activities. The assumption of the UIP perspective is that the internationalization process of firms is an incremental process. The model assumes that lack of knowledge is an important obstacle to the development of international operations, and that the necessary knowledge can be acquired mainly through operations abroad; the process is reciprocal.

Knowledge is divided into objective knowledge and experiential knowledge. Objective knowledge is acquired through standardized methods of collecting and transmitting information, i.e., market research, and can easily be transferred to other countries and replicated by other firms. A critical assumption of the UIP theory is that objective knowledge is of minor importance in a firm's internationalization

process. Experiential knowledge is viewed as a driving force in the internationalization process (Johanson and Vahlne 1977). Experiential knowledge is country-specific and cannot be transferred between firms or business units. Accumulating experiential knowledge is costly (Eriksson, Johanson, Majkgård & Sharna, 1997).

From the UIP angle, international expansion of firms is related to the psychic distance. Psychic distance, the dominant concept in this study, is defined as factors, such as differences in the language, culture, political systems, and level of education, which prevent or disturb the flow of information between firms and markets. The change in market distance occurs fairly slowly. The psychic distance between the home and foreign markets affects market selection as well as the choice of entry mode. Firms with little experience of foreign markets prefer those that are similar to their own domestic market and that are located at a short psychic distance. As firms accumulate knowledge, the influence of distance on choice of entry mode proportionally decreases.

The UIP theory introduced three decades ago still influences international business studies. In 1994, Oviatt & McDougall published the paper “Toward a Theory of International New Ventures” in the *Journal of International Business*. They put forward the International New Ventures (INV) theory and emphasized that recent technological innovation, efficiency of international communication and transportation, and the presence of increasing numbers of people with international business experience can enable firms to skip stages of international development. They mentioned that since the late 1980s, the popular business press has been reporting, as a new and growing phenomenon,

the establishment of new ventures that are international from inception. Furthermore, expansion of this type of firm is mostly characterized by fast internationalizing character and high export involvement.

Since the late 1980s, some international new ventures have an international vision from the outset, and are able to pool resources from multiple countries to meet the demands of markets that are inherently international. The founders of LASA Industry Inc., for instance, are American, Swiss, and French; the company was funded by a European; the operational headquarters and research and development (R&D) are located in the United States; while marketing is managed from France and finance from Switzerland. IXI Limited is a British venture. The founder and chairman had previously worked for a British computer company that failed. Through his work in that company's Boston and Canadian operations he became aware of the needs of the North American market. When he started IXI, his initial strategy was to target the United States, then Japan, before moving back into the United Kingdom. Foreign subsidiaries were set up in the United States and Japan; only after establishing itself in both those countries did IXI turn its attention to its home country, and then to mainland Europe. These firms' internationalization speed and entry mode decisions were not in line with UIP theory (Oviatt & McDougall, 1994) .

Just as the rapid internationalization phenomenon is a universal phenomenon that exists in many countries and industries, in China, there have been a lot of SMEs that started international business from birth. They have huge differences with traditional firms in the internationalization pattern.

Despite the fact that Qingdao Kingking Applied Chemistry Company Limited is just a private enterprise producing candles, it creates the legend that “three exported candles reap the profit of a big screen color television”. When President Chen Suobin first started the business he was producing art craft glassware. When he discovered that clients bought candles from other sources to match his products, he struck the idea of producing candle products. Kingking’s R&D department keeps working on new products and invented a new kind of wax, a jelly wax that is highly clear, odourless, hazard-free and long lasting when burning. In fact such a candle can burn up to 20 times longer than ordinary candles but still costs the same as ordinary candles. They also produce candles that are crystal clear, and “magic candles” that can change color and smell when burning. Taking advantage of the low cost of domestic manpower and materials, they are able to sell their products globally and have become the first enterprise in China to market through the Walmart chain stores with their own brand name “Kingking”. They took the international market first and have sold their products in over 100 countries. Their first domestic store was opened in 2001; hence, demonstrating a distinctly unique development trajectory.

During my study on relevant topics, I have noticed some phenomena of faster internationalization of new ventures in China. The following are some cases.

① Ningbo Smal Import and Export Company Limited is a producer of small household appliances such as hair dryers, electric water heaters, etc. The President, Mr Pan, was handed a bankrupt leather factory in 1995. Immediately, he changed the products, gearing towards

international markets. His first choice was to produce hair dryers and to target the European market because Europe was the first area to sanction Chinese electric products. Owing to the low production cost, innovative styles and good quality, their products took a large share in the European market and 40% of the Australian market,. In 1998, Smal was authorized to export directly and reached an export figure of US \$5.07 million. This number increased steadily from US \$10 million in 1999 to US \$15 million in 2000, US \$22 million in 2001, and US \$30 million in 2002. Currently, almost all their products are sold in the global market. Smal's advantages are as follows: flexible administration (logistically, cost wise, and human power wise), labour intensive expertise, style and quality control. Recently, they established a Hong Kong office to take advantage of Hong Kong's tax benefits and international geological location. We can see that decision maker's personality influences globalization and that judgement plays an important role in the internationalization of an enterprise.

② Home Accent (Suzhou) Company Limited, headquartered in Washington DC, United States, was established in 1995 as an independently operated daughter company of Pacific Trade International Inc.. According to General Manager Ms Xu, the company started exporting from the very beginning, and has been producing candles and candle holders ever since. Their annual export is currently over US\$ 10 million comprising of 70% candles and 30% candle holders. They started domestic sales in 2002 and were 100% in the international market prior to that. Their brand name is Chesapeake Bay, named after a beautiful bay in the DC area, and their products are sold in quality stores. Their

fragrances are imported from the US and they produce candles with 50% fragrance and 50% wax. They have established themselves as leaders in the trade and produce of high end products. Compared with international competitors, their products have lower prices. They also provide tailored services and have lower production cycles. According to Ms Xu, they will develop the European market, and will produce their own brand name “Botanical” for domestic sales.

Therefore, should we establish a new theoretical perspective to explain this internationalization phenomenon of Chinese new ventures (CNV) or should we still use traditional perspectives to explain it?

1.2 Research Purpose & Question

After more than 20 years of economic reforms, China has attracted a large amount of foreign capital and accordingly there is quite a lot of research on the FDI of foreign multinational companies (MNC) in China. So far, some SMEs in China have aspired to international business and already possess related qualifications for “going abroad”. Moreover, with Chinese accession to WTO, the country has already reached a new era when it should shift its policy focus from “attracting FDI” to “both attracting FDI and going abroad”. Accordingly, domestic enterprises in this country also need internationalization in order to cope with the new competitive environment. Consequently, is it possible for enterprises in China, especially SMEs which constitute the majority of Chinese enterprises, to operate successfully in foreign countries? How could we promote the process of their internationalization? Currently, research in

such areas is relatively weak both inside and outside China.

Based on previous studies, we can see that the rapid internationalization of new ventures is a universal phenomenon that exists in many countries and industries. The studies on the phenomenon are also very rich. But, it is hard to see related research on the internationalization of CNV. A close look at internationalization of CNV will reveal the following features:

- 1) The interval between the inception of firms and the time they start their first international operation is very short.
- 2) The pattern of internationalization of CNV is different from that of the traditional firms.
- 3) These firms are not only high-technology industries but also traditional industries.

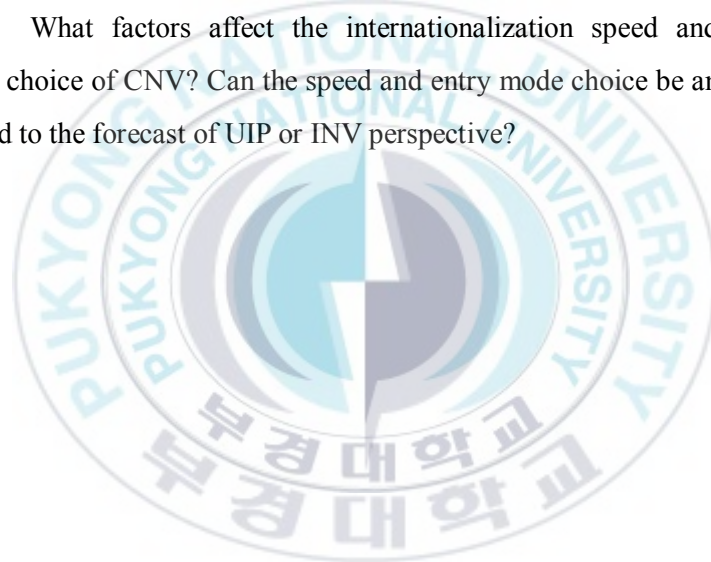
Can the change in international business environment be explained by INV perspective that was put forward by Oviatt & McDougall (1994)? Actually, international new ventures have existed for centuries. The famous East India Company was chartered in London in 1600. In the early 19th century Sweden, some firms' manufacturing was located abroad. For example, SKF, established in 1907, began with sales in their home country and later sold to foreign countries in 1910. Swedish Match also seems to have been an international new venture at its founding in 1917. But this phenomenon does not follow the UIP perspective. Now, faced with the increases in the speed, quality, and efficiency of international communication and transportation leading to reduced transaction costs; the increasing homogenization of many markets; the increasing numbers of people with international business experience; and

the increasing international financing opportunities, the UIP theory needs more than a minor adjustment.

Hence, the purpose of this study is: to test whether the internationalization of CNV operates in accordance with the forecast of the UIP or INV perspective.

Based on the research background and purpose mentioned above, the questions we want to ask are:

- 1) Which theory can be applicable to analyze internationalization phenomena of CNV? Is it UIP perspective or INV theoretical perspective?
- 2) What factors affect the internationalization speed and entry mode choice of CNV? Can the speed and entry mode choice be analyzed accord to the forecast of UIP or INV perspective?



Chapter 2 Internationalization Theories of SME

Based on a thoughtful and critical review of related literature, this chapter aims at building a theoretical framework for the next chapter. While seeking, through the review of literature, to learn how others have delineated similar problems, it is our intention to ensure that this research does not duplicate what others have already done.

2.1 Traditional Perspectives on Internationalization of SMEs

2.1.1 General Traditional Theories

Theoretical perspectives on a firm's internationalization can be divided into three groups (Bang, 1992). The first group is the Economic Perspective. In this perspective, international behavior in a foreign market is decided by cost, which depends on the level of international business interaction. The second perspective is the Business Strategy Perspective. The last one is the Procedure Perspective, which focuses on incremental learning and commitment by business experience in the local market.

(1) Economic Approach

The review of international economic development literature identifies two strands of research; the first attempts to explain international trade patterns as they were, while the second strand centers on explaining the growth and composition of foreign investment. The main reason for disintegration is the fact that international trade (exporting) and foreign investment were considered as alternative options of international activity for the same firm. In reaction to the limitation of international trade theories and their focus on transactions between nations, three economic schools of thought, internalization, transaction cost and eclectic theory, were developed to explain the internationalization of firms.

① **Transaction Cost Theory**

The transaction cost theory (Williamson, 1985), positing that firms internalize those activities that they can perform more efficiently and outsource others that external providers can perform at a lower cost, has been used extensively to study the efficiency of international market entry strategies (Anderson and Gatignon, 1986; Erramili and Rao, 1990). According to this theory, the overriding goal of the firm is to minimize transaction costs. Assuming that the markets are competitive, the transaction cost theory does not address the issues of competencies and market uncertainty directly, but presumes their impact on entry decisions. Furthermore, as this theory is specifically applicable to multinational corporations involved in direct investment, it has been regarded as of limited relevance for firms considering various kinds of cooperative

agreements. Notwithstanding these limitations, the logic underlying transaction costs has served as a foundation for developing new theories. Transaction cost theory has been widely used in studying international business (Zacharakis, 1997). The majority of these studies focuses on the question of whether these firms should directly enter the target market with a wholly owned subsidiary or pursue some other entry strategy, such as joint venturing, licensing, or some other hybrid relationship.

② Internalization Theory

In the international business literature, the market imperfection approach to FDI is typically referred to as internalization theory (Hill, Hwang and Kim, 1990). Internalization theory is recognition of market imperfections that prevent efficient international trade and investment. It shows that the multinational companies have been developed in response to government regulations that negate the theoretical rational explanations for free trade and private foreign investments explanations of international trade and investment. The process of internalization permits the firms to overcome the externalities resulting from such regulations. Market imperfections force transaction costs onto the firms conducting multinational business, and to avoid inefficient transactions of the open market, MNCs opt for vertical integration, thereby internalize their operations within the organization. Williamson (1975) argued that these market imperfections are due to two environmental conditions: uncertainty and a small number of market agents. When the costs associated with transacting with market intermediaries are higher

than the costs associated with executing the transactions within the firm, the firm will choose to execute these transactions internally. In summary, the theoretical literature on firms suggests that by exploiting product and factor market imperfections and by internalizing transactions, firms improve their performance by multinational diversification (Mathur, Singh, and Gleason, 2001).

③ Eclectic Theory

For past two decades, the main attention of FDI theory has been focused eclectic theory, which picks up ideas from various fields and combines them into a broader theory of FDI. The motivation for firms to invest abroad is sometimes complex, thus it is pretty difficult to present a universal "General Theory" for explaining all factors. However, there are still some economists who attempt to summarize a comprehensive theory for FDI. The Eclectic Theory of FDI developed by John H. Dunning (1980, 2000), professor emeritus at the University of Reading (UK) and Rutgers University (U. S.A), is one of the most well-known FDI theory. He considered firms engaged in FDI to possess the three advantages:

The Ownership Advantages (Firm Specific Advantages) addresses the “why” question, why a multinational enterprise want to invest abroad? The companies shall possess one or more firm specific advantages, somehow they are intangible and transferable within a multinational cooperate, such as brand image, technology, core value and economies of scales.

The Location Advantages (Country Specific Advantages) addresses the "where" question, "Where is a multinational enterprise's favorable location to move in?" The selection of investing in a foreign country rather depends on a complex combination that includes cultural, economic, social and political factors.

The Internalization Advantages addresses the "How" question, "How a multinational enterprise enters a foreign market?" The entry mode could range from simply exporting goods or licensing a foreign distributor to the hierarchy or wholly owned subsidiary.

(2) Business Strategy Approach

The business strategy approach is based on the idea of pragmatism, with the firm making trade-offs between a number of variables in its decision to internationalize and the methods it adopts to do so. Reid (1983) argues that foreign expansion is contingency based and results from a choice among competing expansion strategies that are guided by the nature of the market opportunity, firm resources and managerial philosophy. Root (1988) and Turnbull and Ellwood (1986) discuss the factors which should be evaluated using this approach, which, for market selection include market attractiveness, psychic distance and accessibility and informal barriers, while the choice of organizational structure to serve the market will be dependent on these market characteristics as well as company specific factors such as international trading history, size, export orientation and commitment (Turnbull and Ellwood, 1986). Porter (1986: 9-39) adds the number of competitors in

the market as a key factor affecting market entry.

(3) Procedural Approach

The Stage Model dominated all other approaches toward explaining internationalization. It is also called the Uppsala model because of the origin of its developers, namely Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). Their approach is based on organizational learning processes. The attitudes of the organization towards risks, costs and benefits of foreign market commitment have considerable effect on its involvement in internationalization. With growing market knowledge the firm is going to widen its international involvement and proceed through certain stages. Each stage represents a higher degree of internationalization. At the same time, as the market knowledge increases, the internationalizing firm successively ventures from those countries that have close geography and psyche to remote ones. Therefore, similar to Vernon's (1966) approach, the stages model postulates an incremental and sequential internationalization process.

2.1.2 Uppsala Internationalization Process Theory (UIP)

The most popular traditional theory for internationalization of SMEs is the Uppsala internationalization process theory. The original model was developed in the 70s by Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977). Thus, in this study, the UIP is where the most important issues are discussed.

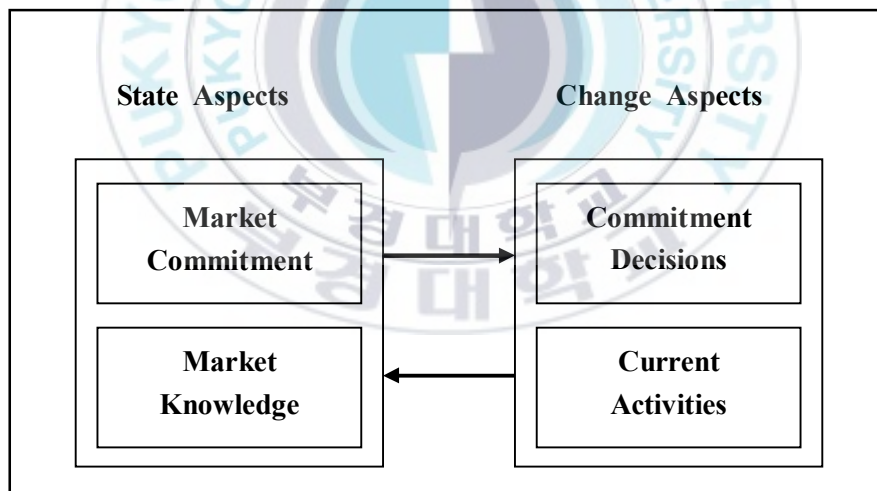
Based upon the findings of several studies on the international operations of four Swedish firms, Johanson & Wiedersheim-Paul (1975) conceptualized the internationalization process as an incremental process involving four stages: no regular export activities, export via independent representatives (agents), sales subsidiary, and production/manufacturing. This study was developed on the basis of the following assumptions: 1) The firm is developed in the domestic market, 2) The internationalization is the consequence of a series of incremental decisions, 3) The term international refers to either an attitude of the firm towards foreign activities or to the actual carrying out of activities abroad (behavior).

According to Genpa (2000), the hierarchy of effects model states that the behavior itself (here, export behavior) is normally preceded by the two cognitive stages of awareness (knowledge/beliefs) and attitude (evaluation). In fact, the attitudes are the basis for decisions to undertake international activities that will be influenced by the experience from international activities. The time order of such establishment is related to the “psychic distance”, which is the psychological distance imposed by differences in language, education, business practice, culture and industrial development that prevent the flow of information between the home and the host countries. The incremental character of internationalization is related to lack of knowledge about foreign countries and propensity to avoid uncertainty.

Furthermore, based on the behavioral theory of the firm (Penrose's 1959) theory of the growth of the firm, Johanson and Vahlne (1977) developed a theoretical model to explain the internationalization process

of the firm. This model focuses on the development of the individual firm, and particularly, on its gradual acquisition, integration, and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets (Johanson and Vahlne, 1977). They have formulated a dynamic model in which the outcomes of one cycle of events constitute the input to the next. The main structure is explained by the distinction between state and change aspects of internationalization variables. The state aspects are market commitment (resource commitment to the foreign markets) and market knowledge about foreign markets and operations. The change aspects are decisions to commit resources and performance of current business activities (Figure 2-1).

< Figure 2-1 > The Basic Mechanism of Internationalization



Source: Johanson & Vahlne (1977, pp.26.)

Since the model does not try to explain why firms start internationalization, it is assumed that the firm attempts not only to increase its long-term profit, which is assumed to be equivalent to growth, but to keep risk-taking at a low level. The basic assumptions of the model are that a lack of knowledge is an important obstacle to the development of international operations and that the necessary knowledge can be acquired mainly through operations abroad (Johanson & Vahlne, 1977). It is assumed that market commitment affects both commitment decisions and the way current decisions are made, and that this changes market knowledge and commitment.

A critical assumption is that market knowledge, including perceptions of market opportunities and problems, is acquired primarily through experience from current business activities in the market. Though experiential market knowledge generates business opportunities that consequently are a driving force in the internationalization process, it is also assumed to be the primary way of reducing market uncertainty (Johanson & Vahlne, 1990). While the experiential knowledge is considered unique to the company, the objective or general knowledge is considered as a public good that could be transferred at little or no cost. Lack of knowledge and resources is also considered as the most important constraint to internationalization.

A distinction is made between state and change aspects of internationalization. The state aspects of internationalization are market commitment and market knowledge; the change aspects are current business activities and commitment decisions. Market knowledge and market commitment are assumed to affect decisions regarding

commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are, in turn, affected by current activities and commitment decisions. Thus, the process is seen as causal cycles.

The model implies three exceptions regarding the small steps in additional market commitment: 1) when firms have large resources, then the consequences of commitments are small; therefore, large firms with surplus resources can take larger internationalization steps; 2) market conditions are stable and homogenous, so market knowledge can be gained in ways other than through experience, and 3) firms have considerable experience from markets with similar conditions, which enables them to generalize the experience.

Another characteristic of the model is that the firm is viewed as a “loosely coupled system” in which different actors have different interests and ideas for development and problem solving. Thus, the model expects that the internationalization process, once started, will tend to proceed regardless of whether strategic decisions in that direction are made or not.

This theoretical model explains two patterns at the operational level. The first pattern is that the firm’s engagement in the specific country market develops according to the establishment chain (Johanson & Wiedersheim, 1975) that indicates an increasing commitment of resources to the market. The second pattern implies that firms enter new markets with successively greater psychic distance

Taken together, the UIP theory identifies certain explicit and implicit assumptions and factors that carry the process forward (**Table 2-1**).

<Table 2-1> Influential Factors and their roles in the use of UIP theory

| Features | Influential Factors |
|--------------------------------|---|
| Representative Firms | Large, Complex organization, Developed in local market |
| Firm striven | Long-term profit increase, Keep risk-taking at a low level |
| The time order of entry | Psychic distance |
| Commitment decisions | Perceived problem or opportunities |
| Constraints | Lack of experiential knowledge, Lack of resources, Market Uncertainty |

2.2 New Perspective on Internationalization Theory of SMEs

For several decades, these perspectives provided the suitable framework for analyzing and understanding the internationalization process of firms. However, because business environments and technology developments change, these traditional theories have to provide theoretical background for explaining new internationalization phenomena.

To describe the phenomenon of firms, that venture internationalization shortly after their inception, many terms have been coined. These companies were first called: innate exporters (Ganitsky 1989), then born

internationals (Ray 1989), subsequently, infant multinationals (Lindqvist 1991) and high-technology start-ups (Jolly et al. 1992). Further proposals were the terms: global start-ups (Oviatt and McDougall 1995), instant internationals (Litvak 1990; McAuley 1999; Preece et al. 1999) and international entrepreneurs. Enjoying the most frequent usage, however, are the names: born global (Rennie 1993; Knight & Cavusgil 1996; Moen 2002) and international new ventures (Oviatt & McDougall 1994; Bloodgood et al. 1996; Zahra et al. 2000). While the terms born global and international new ventures may be the most popular, they also are the most provocative.

2.2.1 Born-Global Perspective

“Global” implies that a company is present in and operates from various locations. Born Global was coined in a survey for The Australian Manufacturing Council by the consultants McKinsey, and Rennie (1993). The history of the concept will be discussed later, but the consequences of the discovery of this new type of exporter are clearly stated by Tamer Cavusgil (1994) in the first scholarly article about Born Global firms:

There is emerging in Australia a new breed of exporting companies, which contribute substantially to the nation's export capital. The emergence of these exporters though not unique to the Australian economy, reflects 2 fundamental phenomena of the 1990s: 1) Small is beautiful. 2) Pattern of internationalization is rapid.

Amongst the Born Global firms in Australia are several high-tech

firms, but the typical firm uses well-known technology. A characteristic of the firms is that they have experienced higher growth rates than other industries in Australia and a large growth in their export compared to their home-market sales. A major factor in the explanation of the phenomenon, Born Global, in McKinsey report is the management's commitment to internationalization – an explanation also found in later research, e.g., Rasmussen et al. (2001). Another major factor is the firm's ability to standardize production, marketing, etc. in a global niche instead of, as expected, developing customized products. Cavusgil (1994) interprets the McKinsey report as “gradual internationalization is dead”, even the smallest firm, has access to information about the export markets and can begin to export right from the birth of a new firm. With a few years delay the scientific world discovered the Australian results and began to draft similar research on Born Globals in different countries, e.g., Madsen & Servais (1997) and Knight & Cavusgil (1996).

2.2.2 International New Ventures Theory

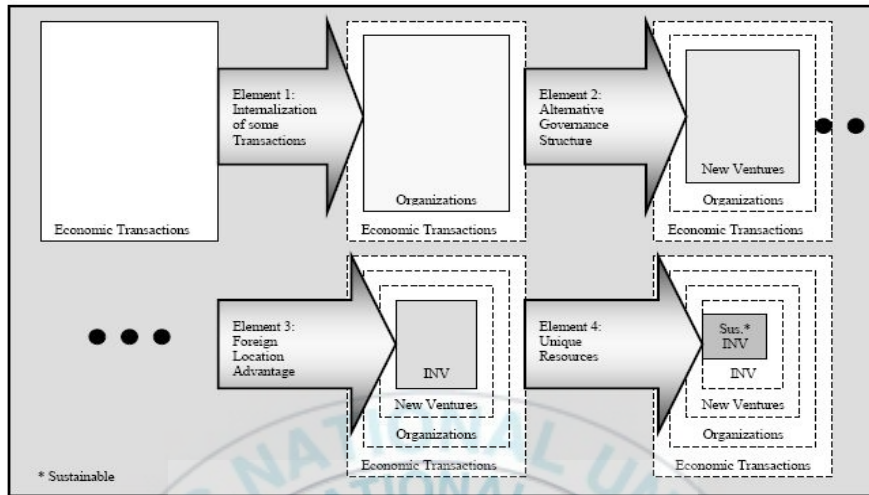
In reaction to the focus of internationalization studies on large multinational companies and growth of international new ventures Oviatt & McDougal (1994) developed a theoretical framework to define and describe the internationalization of the new ventures. They explained how international new ventures fit within the theory of MNE. Within this perspective an international new venture is defined as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple

countries”. According Oviatt & McDougal (1994), in keeping with Buckley & Casson’s (1989: 55-79) definition of the multinational enterprise, the definition of the international new venture is concerned with “value added, not assets owned”.

This model is based on transaction cost analysis, market imperfections and internalization theories that explain the MNE. The model also incorporates recently developed ideas from entrepreneurship scholars and strategic management scholars about how competitive advantage is developed and sustained. The distinctive feature of this model is its focus on the age of firms when they become international, not on their size.

With respect to the “large size” advantage in MNE theory, they explained that despite the fact that size is the main firm-specific variable for multinationals, sustainable competitive advantage is increasingly recognized to depend on the possession of “unique assets”, not size. Therefore, the unique assets along with dramatic reduction of transaction costs of multinational interchange shorten the internationalization process of new ventures. The theoretical framework suggested by Oviatt & McDougall (1994) includes boxes that show sets of economic transactions that are of particular interest and arrows that represent elements that distinguish a subset from a larger set of transactions **(Figure 2-2)**.

<Figure 2-2> Necessary and Sufficient Elements for Sustainable International New Ventures



Source: Oviatt & McDougall (1994, pp.54.)

The framework begins with Economic Transactions, Element 1: Internalization of some Transactions distinguishes transactions that take place in an Organization from those that are governed by markets. The first arrow explains how a lack of resources results in internalization or possession of a smaller percentage of the resources. Element 2: Alternative Governance Structure separates transactions associated with New Ventures from those associated with established firms. It shows that instead of internalization, new ventures can use hybrid structures such as licensing, franchising and networking as a more powerful resource-sharing alternative to both internal control and market control over the exchange of resources. Element 3: Foreign Location Advantage

distinguishes transactions associated with International New Ventures (INV) from those that constitute new ventures. The great mobility of knowledge provides the location advantage that result in differentiation or cost advantages for MNEs and INVs. These advantages enable them to overtake the advantageous firms in many countries simultaneously. Finally, Element 4: Unique Resources distinguish the subset of Sustainable International New Ventures from short-lived firms. The last arrow refers to Unique Resources such as knowledge that create sustainable competitive advantages. Therefore, the model suggests that INV must limit the use of knowledge by outsiders in many countries to sustain its competitive advantage. It is more focused on control of sustainable competitive advantage, especially unique knowledge.

<Table 2-2 > **Influential Factors and their roles in the use of INV theory**

| Features | Influential Factors |
|--------------------------------|--|
| International Decisions | Perfect information, Rational optimization |
| Commitment Decisions | Competitive advantage, Unique resources Foreign location advantage |
| International Control | Protects firms against uncertainty, Reduces transaction costs |
| International Obstacles | Entrepreneurship |

As discussed above, the theoretical roots of INV were transaction cost theory, internalization theory, the entrepreneurship theory and the strategic management theory. Therefore, its assumptions are a combination of assumptions of these theories. In addition to factors explicitly indicated in the model, Oviatt & McDougall (1994) explained that the sustained competitive advantage depends on factors stated in **Table 2 -2**.

2.3 Comparison between UIP and INV perspectives

Among theories about internationalization of firms, Uppsala Internationalization Process (UIP) perspective is the most applicable theory for internationalization of new ventures, because the UIP perspective shows more specific features on the early stages of internationalization by firms than other theories (Choi & Kim, 2002). Autio and Sapienza (2002) looked at the similarities and difference between the UIP perspective and the INVs internationalization.

Table 2-3 shows some comparative characteristics of internationalization process of new ventures. Most of all, in the initiation stage of internationalization it is supposed that INVs are active to find out business opportunities in foreign markets, because they have quite enough information about foreign markets. On the other hand, in the UIP perspective firms are supposed to react to unexpected and unsolicited export orders. This implies quite serious different situations of firms between 1970s and 1990s. In the 1970s, firms, especially new venture firms, suffered from a lack of information and knowledge in the foreign

market. So they had to react passively to business opportunities in the foreign market. However, in the 1990s, INVs obtained various kinds of information and knowledge of the foreign market, because of the development of transportation and information technology such as transport by airplane and the Internet.

< Table 2-3 > Similarities and differences between UIP and INV Perspectives

| Features | UIP perspective | INV perspective |
|---|---|---|
| Origin | Swedish manufacturing; SMEs in 1970s | Knowledge-intensive firms; in mid-1990s |
| Theoretical roots | Behavioral theory; Theory of firm growth | Entrepreneurship; Knowledge-based view of firm |
| Initiation of Internationalization | Firm reacts to unsolicited export orders | Firm proactively embraces International growth opportunities |
| Regulators of The Internationalization process | Gradual resource commitment; Regulated by experiential learning | Entrepreneurial vision; Endowment of mobile knowledge-intensive resources |
| Pattern of Internationalization | Slow; incremental; Toward increasingly; Complex modes | Rapid, Born global |

Source: Autio and Sapienza (2002, pp.420.)

Furthermore, entrepreneurs in the 1990s secured more experience and information of the foreign market than entrepreneurs in the 1970s. Madsen and Servaris (1997) suggested that tremendous human resources from MNE are a pool of INV establishments. They are trained in the global business environment and accumulate knowledge and know-how of doing business in the foreign market. Thus, entrepreneurs in the 1990s can react aggressively to business opportunities and changes in business environments.

The differences in the two perspectives are clearly seen in the patterns of internationalization process. Entrepreneurs in the 1970s, who suffered from a lack of information and know-how for implementing business in a difference culture and business environments had to overcome their weakness through practical business experience in the local market. Thus, their pattern of internationalization had to be slow and incremental. However, entrepreneurs in recent years can actively drive forward their foreign business because they have quite accurate information and knowledge for decision making in the foreign market. So, they can show their very rapid and daring internationalization is a new phenomenon, similar to the “Born Global” theory. (Knight and Cavusgil, 1996; Madsen and Servais, 1997).

Firms face three interlocking questions with regard to international expansion: when to enter (period of first entry), how to enter (mode of entry), and what market to enter (entry location)(Gaba & Pan, 2002). By comparison of UIP and INV Perspectives, we can find some differences between UIP and INV perspectives as shown in **Table 2-4**.

<Table 2-4> Critical Differences between UIP and INV perspectives

| | UIP perspective | INV perspective |
|-------------------------|---|--|
| Speed | Long period | Short period |
| Entry Mode | Evolution; From low-commitment to high-commitment | Revolution; Hybrid structures |
| Market Selection | Psychic distance | Foreign location advantage |
| Key factors | Experiential knowledge; Psychic distance | Entrepreneurship; Foreign location advantage |

Recent research into the international expansion of SMEs suggests the growing importance of a different and more rapid process of internationalization. Earlier studies focused on the prevalence, sequence, trade-offs, and effectiveness of different modes of entry; research on the speed of first entry has received relatively little attention. But we can easily see that the important characteristic of new ventures is acceleration; in other words, rapid internationalization speed is the issue we must pay attention to. Issue on selection of foreign market entry mode has been the most popular and critical one in the international business field. In the global-integrative background, due to the development of transportation and information technology such as transport by airplane and Internet, the psychic distance is of little importance in the selection of foreign markets.

From table 2-4, we can see that the UIP perspective uses international experience knowledge to explain internationalization speed of

enterprises. From the UIP perspective, a lack of international experience knowledge is an important obstacle to the development of international operations, and the necessary knowledge can be acquired mainly through operations abroad; the process is reciprocal. The INV perspective put up some new view for firms' internationalization. The INV perspective made up for the shortcomings of Uppsala, since a firm can start international operations from its inception. The UIP perspective emphasizes that firms need to develop over a long period and choose a country whose psychic distance is close to start its internationalization process. But INV was still imperfect, as firms need to bear the risks involved in the internationalization process. The UIP perspective assumes that the obstacles of a firm in the internationalization process are a lack of experiential knowledge and resource constraints. Although, the INV perspective showed us the importance of entrepreneurship during the initial period of internationalization, it overlooked the issue of ways to overcome international barriers during this period. This is exactly the essence of the UIP perspective.

The UIP perspective, which gives emphasis to the gradual entry mode of firms in a foreign market, has been accepted as a powerful framework for explaining market entry mode choices. The UIP perspective insists that a firm has to select a low commitment level of entry mode, such as export in the early stage of business operation. However, theorists in the INV perspective insist that INV does not follow an incremental stage model any more. Because INV has limits on the amount and source of resources in comparison with established firms, the new ventures can use hybrid structures such as licensing, franchising

or networking as an alternative to internal control and market control over the exchange of resources.



Chapter 3 Characteristics of Internationalization of CNV

Though various papers exist and different perspectives are employed, a unified framework for internationalization speed and entry mode choice is needed. There is the need to determine the factors that affect the internationalization speed of CNV, and the theory that can be employed to analyze internationalization phenomena entry mode choice of a CNV – from the UIP perspective or the INV theatrical perspective.

The related hypotheses are developed as follows:

3.1 Critical Issues on Internationalization of CNV

3.1.1 Internationalization Speed

The ability and thinking of founders, environmental influences, and industry conditions are believed to be prime factors determining the speed of international involvement. Some scholars see all these influences as mediated by the perceptions and decision making of the entrepreneurial actors (Oviatt, Shrader, & McDougall, 2004). It is important to resolve the form of these relationships among the environment, industry conditions, and entrepreneurial actors to achieve a better understanding of how international opportunities are discovered, enacted, evaluated, and exploited in an accelerated manner. There may be a performance advantage in rapid internationalization (Autio,

Sapienza, & Almeida, 2002). That is, the earlier in its history that a firm internationalizes, the faster it seems to grow. Thus, it is fundamental to explain why some new ventures' behavior crosses national borders with greater speed than others.

The first study of factors which influence the speed of internationalization of firms was conducted by Lindqvist (1991). On the basis of 15 case studies and 95 questionnaires the speed of internationalization of the young technology-based Swedish firms are analyzed. The study comes to the conclusion that the speed of internationalization of a firm is particularly dependent on the international experience of its managers, the availability of loan capital and the technology intensity of its products. The study of Reuber & Fischer (1997) analyzes the influence of international experience of the top-management team on internationalization speed by using questionnaire data of 49 Canadian software firms. They find that firms with a higher international experience rather use strategic partnerships and sooner begin to export into foreign markets than firms whose top-management team-members only possess a little international experience. Also relevant are the findings of Bloodgood, Sapienza and Almeida (1996) that the international experience of a top management team (**TMT**) was related to the degree of internationalization of New Ventures. Thus, in explaining the rapid internationalization of CNV, we must consider the role of the TMT's experience.

Global vision and competitor orientation are characteristics of the management in most literatures relating to psychological factors with international behavior. The study of McAuley (1999) on the

internationalization process of 102 Scottish firms from the arts and crafts sector shows that personal and psychological factors of the manager are key factors responsible for rapid internationalization. And he examine the influence of firms' global orientation and competitor orientation on both internationalization decision and dimensions (speed, scope) in established companies. Specifically, they highlighted the existence of a positive relationship between the two factors and internationalization speed. Based on a sample of 155 Spanish firms, their findings suggest that global orientation and competitor orientation influence positively the firms' propensity to internationalize their activities. Their results also show that the firms' global orientation and competitor orientation enhance a rapid internationalization decision. Probably the most important characteristic associated with success is that the founders of a global start-up loosen the ties that bind their business thinking to a single country or culture (Oviatt & McDougall,1995). As this study focuses on the internationalization speed, it is more appropriate that global orientation and competitor orientation are considered as moderators that will have significant effects on the relationship between the firm's characteristics and the internationalization speed of CNV.

Entrepreneurship researchers have long acknowledged the importance of the external environment on the various strategic choices of a firm (Boyd, Dess & Rasheed 1993; Zahra & Bogner 2000). From the UIP perspective, uncertainty about the environment affects a firm's commitment decisions in the foreign market. These firms must develop from the local market, and is an adoption rational system that learns from its experience. The INV perspective argues that competition in the

domestic environment leads to the internationalization of a new venture. The UIP perspective of internationalization virtually ignores the kinds of industry forces described. However, Oviatt and McDougall (1999) believe they are powerful determinants of rapid internationalization. Furthermore, modern industry forces for internationalization are clearly built on our foundation of knowledge-based, advanced technology. Prior studies have also focused primarily on high technology industries, probably because these industries have experienced the highest rates of growth in the formation of new ventures. Low technology, both in manufacturing and service industries, have not received as much interest in international new ventures research, raising the possibility that past findings do not generalize equally well to all economic sectors. This study will consider the relationship between environmental factors, especially domestic market and industry characteristics, and internationalization speed of CNV.

3.1.2 Foreign market entry mode of SMEs

From the UIP perspective, the establishment chain has been accepted as a powerful framework for explanation of market entry mode choice. This incremental perspective insists that a firm has to select a low commitment level of entry mode, such as export in the early stage of business operation. Lindqvist (1991) reported that the preferred entry modes of the Swedish firms in her sample were direct exporting and foreign sales through intermediaries such as agents and distributors. In Bell's (1995) study of the international operations of Irish, Finnish, and

Norwegian software firms, 70% of all sales transactions were carried out through either direct exports or agents and distributors. Few firms engaged in foreign direct investment, and when this did occur, they were preoccupied with setting up marketing and sales subsidiaries.

Although new ventures are exploring overseas more frequently, the research related to this topic has been somewhat ignored (Oviatt and McDougall, 1994). Shrader, Oviatt and McDougall (1999) argue that different entry modes represent different degrees of resource commitment and therefore, risks for the firm. They argue that firms actively manage their risks in international operations by balancing entry mode risk, country risk, and risk from overdependence on foreign markets. Their empirical findings on the U.S. firms, that high-risk countries were entered using low-risk market entry modes and vice versa, support their theoretical argument. Zacharakis's (1997) contribution explicitly deals with the choice of export agents and distributors, as well as the use of intermediaries, because he claims that direct exporting is not an appropriate choice for start-ups.

However, theorists in the INV perspective insist that INV does not follow incremental stage model any more. In their study of 24 INVs, McDougall, Shane, and Oviatt (1994) found that none of them followed the establishment chain. They argue that INVs prefer hybrid structures for controlling the sales and marketing activities. Lindqvist (1991) finds this type of firms' internationalization to be like "jumping a threshold"; that is, when the firms have decided to operate internationally, their choice of entry modes is not in incremental manner. Thus, this study aims to find out how CNVs choose their foreign market entry modes,

whether they follow the establishment chain, from low commitment level of entry mode (e.g. export) to high commitment level of entry mode (e.g. FDI) or not.

3.2 Factors on internationalization speed of CNV

Drawing upon comparison between UIP and INV perspectives on the internationalization speed of firms, the concept of the research is mainly derived from previous framework and adjusted according to characteristics of CNV.

3.2.1 International experience

International business experience of the firm has been considered as a critical factor in internationalization process of the firm. Usually firms acquire knowledge and know-how through business experience in local markets, and this experience enhances firms' ability to do business activities in foreign markets (Johanson and Vahlne, 1977, 1990). More business experience with international partners gives them a better understanding of each other and it leads to the development of stronger relationships. This business relationship has an important role in firms' internationalization process and expansion of the international business activities of the firms.

However, a new venture starting its first market entries cannot be expected to have direct organizational ability and capability of international operations embodied in its processes and routines. A new

venture has the capability of its management team and the skills its members bring with them to the new organization. In the case of New Ventures, the top management team's (TMT) international capability can be seen as the organizational capability of the new ventures. The influence of the TMT on the internationalization of new ventures is shown in a recent work by McDougall and her colleagues (McDougall et al. 1994; Oviatt and McDougall 1994), which shows that firms that are international from birth are typically founded by a team of individuals with international capability.

The influence of human resources on the process of firm's internationalization is considered by the UIP perspective. It predicts that a firm will move into foreign markets when its decision making system acquires tacit knowledge of those markets (Johanson & Vahlne, 1977). The relevant decision making system consists of managers, the culture in which they are embedded, and the decision making routines of their organizations. TMT is a key source of competitive advantage for a venture, since the quality of decisions made by a venture is very much a reflection of its top management team (Hambrick & Mason, 1984). The TMT can itself be a critical "intangible" resource stock for a new venture. Executives working in new U.S ventures who have been exposed to the international competitive arena may be more likely to comprehend the dynamics of those markets and be more aware of any profit opportunities than those who have not. Thus, we expect that the executive's previous ability affects his awareness of these opportunities (Casson, 1998).

In the case of international new venture the TMT's (or founders)

international experience can be seen as organizational experience. The experience of TMT significantly affects firms' internationalization decision (Carpenter & Frederickson, 2001; Calof & Beamish, 1994). Because a TMT's strategic decision is consistent with its cognition, which is in part a function of values and experience, the team's foreign experience is likely to be associated with international strategic moves. The TMT with more foreign experience may feel more confident to lead firms into foreign markets. This is important because senior managers' international experience is positively related to some indicators of firm performance (Daily, Certo & Dalton, 2000). So, the TMT's international experience offers a shortcut to the fast pace of internationalization.

The international experience of the TMT has a positive effect on the speed of INVs (Lindqvist, 1991; Westhead, Wright & Ucbasaran, 2001; Gaba Pan & Ungson, 2002, Oviatt & McDougall, 2005). In this study, we note the importance of TMT's experience such as foreign work experience, foreign education, and background as they relate to internationalization, using the perspective of Zahra & George (2005). Exposure to international markets or market practices significantly influences the firm's drive to internationalize. These findings are corroborated by case analyses (Oviatt & McDougall 1995; McDougall et al. 1996) and empirical studies (Bloodgood et al. 1996; Burgel & Murray 1998).

(1) TMT's foreign work experience

Prior work experience in international business is arguably the most

beneficial type of experience for new venture managers seeking to manage international risks. Such an experience provides managers with knowledge of foreign markets as well as knowledge of international business (Knight & Cavusgil, 1996; McDougall et al., 1994). As a result, this experience can reduce the ambiguity and complexity of pursuing foreign markets. Thus, internationally experienced managers may be better equipped to deal with and to more comfortably accept international risks. Furthermore, managers with foreign experience may have international social networks that can compensate for an organization's lack of established networks and thereby help a new venture overcome international risks. A TMT that has more foreign market work experience is more aware of potential market opportunities and can use its existing skills and competencies to seek resource in new markets. This can lead to a rapid internationalization of a firm.

Several studies have found empirical support for the importance of prior international work experience to the internationalization of new ventures. Of the ten entrepreneurs profiled in Kuemmerle's (2002) six case studies of international new ventures, nine had prior international work experience, leading Kuemmerle to posit that prior international exposure of entrepreneurs can act as a trigger for the founding of an international venture. In part, supporting this viewpoint, Harveston's comparison of born global and gradually globalizing firms revealed that entrepreneurs in born global firms had more international work experience than the entrepreneurs in firms that chose to internationalize more gradually. This leads to the following hypothesis:

H1: The longer TMT's foreign work experience, the faster the internationalization speed of CNV.

H1-a: The longer average period of foreign work of TMT, the faster the internationalization speed of CNV.

H1-b: The longer period of members among TMT with the longest foreign work experience, the faster the internationalization speed of CNV.

(2) TMT education abroad

Better educated decision makers are expected to be more open-minded and interested in foreign affairs, and thus should be more willing to objectively evaluate the benefits and disadvantages of exporting (Garnier, 1982: 113-31). They are also expected to possess more managerial knowledge and capabilities (Schlegelmilch, 1986), which could enhance export performance. The educational level of managers has been associated in past research with their cognitive orientation and knowledge base. Researchers (Datta and Rajagopalan, 1998; Wiersema and Bantel, 1992) have linked high educational attainment with greater innovation, knowledge, skills and openness to change. TMT with above average educational level can be expected to possess greater tolerance for ambiguity, be more receptive to changes and have the knowledge base and competencies required for systematically seeking new opportunities and for evaluating multiple options. While TMT characterized by high levels of education can at times engage in

excessive analysis to the detriment of decision-making, information-processing capabilities associated with higher educational levels can be expected to be advantageous for firms seeking international diversification.

Bloodgood et al., (1996) found that a positive relationship exists between managers receiving education outside the USA and a new venture's international expansion. Because the TMT members have foreign education experience, they may be more aware of international issues and may be more inclined to view international opportunities favorably. This can lead to rapid internationalization. Burgel & Murray (1998) argued that a higher percentage of managers of companies that internationalized received education abroad than those of start ups that did not internationalize. This leads to the following hypothesis:

H2: The longer TMT's education abroad experience, the faster the internationalization speed of CNV.

H2-a: The higher percentage of members among TMT who have education abroad, the faster the internationalization speed of CNV.

H2-b: The longer average period of education abroad of TMT, the faster the internationalization speed of CNV.

(3) TMT background

The background of the TMT is widely viewed as an important indicator of the cognitive biases and the types of experience they bring to

their jobs. Background has been shown to directly influence the way problems are defined, information is processed, and strategic choices are made (Walsh, 1988). As a result, TMT members bring to their jobs critical knowledge and skills that are largely shaped by their functional experience. Because internationalization of firms is characterized by greater uncertainties (Kochhar and Hitt, 1995) and often entails departure from past practices, it can be reasonably argued that internationalization of firms is more likely to value “output” background experience among TMT members.

In perspective of Zahra & George (2005), background means that TMT members who have managerial or technical experience prior to start-up may be more aware of the possibilities and practicalities of international operations. One may argue that new ventures led by TMT members with high levels of technical and business experience would feel fewer risks related to undertaking international expansion, and thus, be more likely to be involved in international expansion. Furthermore, the higher levels of technical and business experience of start-up team members would help overcome the liability of foreignness (Shrader, Oviatt, and Mcdougall 2000). In Westhead & Wright’s (1998: 464-477) study, firms with principal founders drawn from managerial or technical parental backgrounds were significantly more likely to export than firms with other types of founders. This leads to the follow hypothesis:

H3: The more background experience of members among TMT, the faster the internationalization speed of CNV.

3.2.2 Entrepreneurship

With the globalization of the world economy, interest in international entrepreneurship has increased rapidly over the past decade (Brush 1993; Hitt & Bartkus 1997; Hisrich, Honig-Haftel, McDougall & Oviatt 1996). One of the most important features of today's global economy is the growing role of new ventures (Bell 1995; Clark & Mallory 1997: 193-206; Fujita 1995).

McDougall et al. (1994) suggest that traditional theories may not be applicable to 'born global' ventures. So, originating in the entrepreneurship literature, a stream of research suggests that some new ventures are 'born global' and therefore differ significantly from businesses that become international in scope over time as they accumulate resources or competencies to go global (Oviatt & McDougall 1994, 1999).

International entrepreneurship is defined by Oviatt and McDougall (1994), as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries." The development of international entrepreneurship has relied to a certain extent on a sample based in the US (McDougall and Oviatt, 1996). It is "new and innovative activities that have the goal of value creation and growth in business organization across national borders." Oviatt and McDougall (1994) provided a theoretical base for the study of international new ventures. Thus, international entrepreneurship began with an interest in INV perspective, and explaining its accelerated internationalization is an important focus

of research.

From the above discussion, we can see that scholars emphasize that international entrepreneurship has two parts: entrepreneurial global and competitor orientation, which McDougall and Oviatt relied upon for their definition of international entrepreneurship.

(1) Global vision

In understanding why some of the firms become international actors in such a short time period while others maintain their operations mainly in local markets, the global vision of the management could be of particular importance (Knight, 1997; Mone, 2002). The global vision is likely to affect the strategic objectives as well as execution of export strategies, and to be an important factor behind the firm's success. Probably the most important characteristic associated with success is that the founders of a global start-up loosen the ties that bind business thinking to a single country or culture. The founder must be able to communicate compellingly a global vision to everyone else associated with the venture (Oviatt and McDougall, 1995).

From the literature review, it is evident that the global vision of TMT is vital for the firm's internationalization process. Since the results of previous studies (Moen, 2002; Larimo & Pulkkinen, 2002) show clearly greater existence of Born-Globals among firms established after 1990 than before 1990, the findings related to global vision of Born-Global could be expected to also be applicable to majority of newly established globally oriented small firms. Among such emerging firms, a global

vision on the part of entrepreneurs may be an important predictor of early internationalization (Knight & Cavusgil, 1996). Higher levels of global vision, stronger international motivation and greater awareness of opportunities overseas lead to rapid internationalization. Indeed, in case studies of international new ventures, the founder often has a strong global vision from inception (McDougall, et al., 1994). This leads to the following hypothesis:

H4: The higher the global vision of the TMT, the faster the internationalization speed of CNV.

(2) Competitor orientation

Recent studies in the field of entrepreneurship highlight the importance of opportunity recognition, discovery and exploitation as a distinguishing characteristic of entrepreneurship (Shane & Venkataraman 2000). The definition recognizes the fact that opportunities are sometimes discovered by some firms but are exploited by others. This is why we borrow the term competitive advantage from the strategic management literature (Barney 1991). Having a competitive advantage can enable new ventures to create wealth to their owners by expanding internationally.

A competitor orientation can be defined as the ability and the will to identify, analyze, and respond to competitors' actions (Narver and Slater, 1990). This includes the identification and construction of competitive advantages in terms of quality or specific functionalities. Concerning

competitive advantages one could expect that intensively international market oriented firms have more competitive advantages than mainly domestic market oriented firms. The main argument is that the most competitive firms are expected to be more likely to try to use their competitive advantages to build a position in the export markets, and that their competitiveness makes them able to successfully export their products. Thus their total competitiveness is expected to be greater than that of mainly domestic market oriented firms. The highest competitiveness is expected in significantly export market oriented new ventures because these companies have been able to rapidly start significant international operations (Larimo & Pulkkinen 2002). This leads to the follow hypothesis:

H5: The higher the competitor orientation of firms, the faster the internationalization speed of CNV.

3.2.3 Environmental factors

Both UIP and INV perspectives have acknowledged the importance of the external environment in a firm's internationalization. Consequently, the INV perspective has explored the effect of a firm's external environment on different aspects of international entrepreneurship. Past empirical studies suggest that new ventures that internationalize their operations early in their life cycles compete in industries that are perceived as being different in their attributes from those where new ventures do not internationalize as quickly or as broadly. The research

also shows that home country characteristics and industry-specific factors may determine the gains to be made from internationalization (Roberts & Senturia 1996). To test the pure effect of experience and entrepreneurship on internationalization speed, we consider the other factors effects on internationalization speed of CNV as control variables.

(1) Domestic competition

Intense competition for local resources may encourage some entrepreneurs to identify resources in foreign markets. Some saturated urban areas may be associated with high levels of firm exit (Westhead and Birley 1995), which may encourage some entrepreneurs to export sales abroad, to secure critical resources, and to ensure business survival and development. High competitive intensity increases the competition for resources within an industry, and can lead to price cutting and falling profit margins for competitors in that industry, especially in industries characterized by high fixed costs, such as high R&D expenditure (Eisenhardt and Schoonhoven, 1990). In such a competitive arena, new ventures may be forced to seek broad international markets in order to increase their sales volumes and thereby remain viable. Oviatt and McDougall (1994, 1995) described INVs' markets as among the most volatile, characterized by intense competition and quick competitor response. Coviello and Munro (1995) concluded that because INVs competed in industries characterized by intense domestic and international competition and rapid structural change, their only means of growth was internationalization. Empirical studies point out that INVs

come rather from intensity of domestic competition than limited competition of domestic markets. Born-global firms appear predominantly in such industries where the home market is in intense competition to generate enough sales (Lindqvist, 1991; McNaughton, 2000). Case studies showed that intense competition in domestic markets was a major reason for the rapid internationalization of high technology new ventures (Coviello & Munro, 1995).

(2) Industry characteristics

The theoretical building block of industry conditions focuses on technological and competitive characteristics of the arena in which emerging businesses operate. The traditional theory of comparative advantage indicates that the goods produced for foreign markets will be those that derive unique advantage from the location in which they are produced. However, accelerated internationalization is most obvious in modern technologically advanced, knowledge-based industries. Previous studies show that INVs are mainly prevailing in knowledge and technology-intensive industries such as information and communication technology and the pharmaceutical industry (Stray, Bridgewater & Murray, 2001). One explanation for this finding could be that knowledge- and technology-intensive industries are characterized by short product life cycles that force companies to sooner amortize their R&D expenses (Rennie, 1993). One way of doing so is the rapid internationalization into foreign markets.

3.3 Study on foreign market entry mode choice of CNV

The UIP perspective on foreign-entry mode decision-making studies emphasized behavioral factors as driving forces over time, such that any given step is seen as an integral part of the overall process. The most consistent process pattern is “evolution rather than revolution” from low-commitment to high-commitment modes gradually over time (Benito & Welch, 1994). UIP perspectives conceptualize the internationalization entry mode as an incremental process involving establishment chain: no regular export activities, export via independent representatives (agents), sales subsidiary, and production or manufacturing, because firms have to reduce risks caused by lack of information and business practice in foreign local market.

The behavioral approach is founded on experience, knowledge, control and risk factors that have placed particular stress on the contribution of experiential knowledge. The greater the depth of knowledge and experience of the foreign market, the more confident a firm tends to be about making commitments, and about its judgment of the degree of risk exposure. Firms’ engagement in the specific country market develops according to an establishment chain that indicates an increasing commitment of resources to the market, which differs with regard to the market experience gained (Johanson & Vahlne, 1990).

Lack of appropriate experience and knowledge increases the risk and uncertainty that is likely to constrain the market servicing decision. In this situation the firm can alter the perceived risk exposure by the choice

of market entry mode; e.g., high risk might be counterbalanced by the use of a low-commitment mode such as licensing. Behavioral approach also indicates how “control” issues affect the choice of entry mode and are connected with risk, knowledge, and experience factors. Without “knowledge of” and “experience in” a foreign market it is clearly difficult to achieve effective control of operations. Therefore, firms are not interested in starting their entry in ways that require stronger involvement and control such as foreign investment (Benito & Welch, 1994).

According to Oviatt & McDougal (1994), the new ventures can use hybrid structures such as licensing, franchising or networking as an alternative to internal control and market control over the exchange of resources, because INV has limits on the amount and source of resources in comparison with established firms. They can also use the network structure as a more powerful resource-sharing alternative to internalization that depends upon social (informal) control through trust and moral obligation rather than formal contracts. Welch (1996) showed that small English, Australian and Swedish firms skipped stages in their internationalization process. This leads to the following hypothesis:

H8-a: When CNV choose the foreign market entry mode, they will follow an establishment chain, from a low commitment level of entry mode (e.g. export) to a high commitment level of entry mode (e.g. FDI).

H8-b: When CNV choose the foreign market entry mode, they will not follow an establishment chain.

Chapter 4 Research Methods

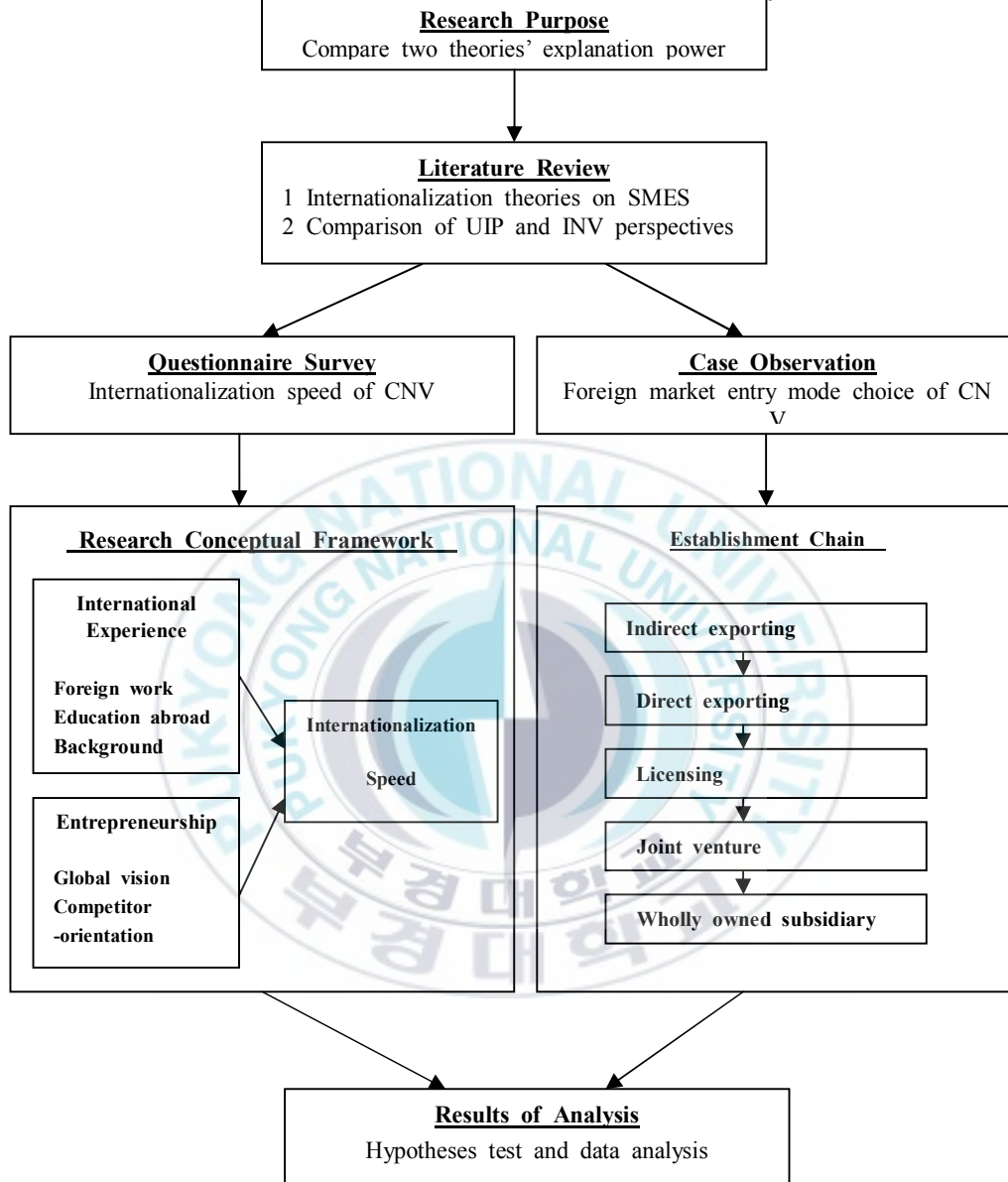
4.1 Research design

Research design is the logic linking data to be collected (and the conclusion to be drawn) to the initial questions of a study. Research designs always address certain key issues, such as who will be studied, how these people will be selected, and what information will be gathered from or about them. Research design is a plan by which the strategy is to be carried out. It specifies the methods and procedures for the collection, measurement and analysis of data.

The purpose of the study is to investigate which theory is applicable to analyze internationalization phenomena of CNV. Is it the UIP perspective or the INV perspective? The research was separated into two parts.

In the first part, a theoretical framework (see Figure 4-1) for internationalization speed by comparison of UIP and INV perspectives was developed. From the UIP perspective, a lack of international experience is an obstacle to the development of a firm's international business. However, the INV perspective explains that entrepreneurship is causing faster internationalization of new ventures. A theoretical model identified and confirmed the difference on the internationalization speed of CNV as factors of international experience and entrepreneurship that comes from the UIP and INV perspectives. To test the effect of experience and entrepreneurship on internationalization speed, we

<Figure 4.1> The structure of the thesis



consider the other factors effects on internationalization speed of a CNV as control variables. During the survey stage, acquiring information specific to internationalization speed proved difficult because from start of an international business to the present, as the data, such as firm size, significantly changed. Therefore, domestic competition and industry characteristics were used as control variables to avoid any confusion.

In the second half, when a CNV chooses the foreign market entry mode, whether they will follow the forecast of UIP or INV perspective, was investigated. To determine this, case observation was used. The foreign market entry mode of firms refers to the method used by a firm to establish a business in foreign markets. Consideration is given to the development of operations in individual countries and according to the level of risk, control, and resources commitment; five stages were used to devaluate the data: 1) Indirect exporting, 2) Direct exporting, 3) Licensing, 4) Joint venture, 5) Wholly owned subsidiary. These sequence of stages, are known as the establishment chain. The choice of foreign market entry mode of CNV including the establishment chain that represents the respondents' firm entry mode and the time for the related entry mode were measured.

Indirect exporting refers to sales of a firm's products to a domestic customer, which in turn exports the product in either its original form or a modified form. Direct exporting refers to product sales to a customer, either distributors or end users, located outside the firm's home country. Licensing refers to transactions in which a firm (called the licensor) sells the rights to use its intellectual property to other firms (called a licensee) in return for a fee. Joint venture refers to a special strategic alliance

created when two or more firms agree to work together and jointly own a separate firm to promote their mutual interests. Wholly owned subsidiary refers to building a wholly owned subsidiary in a foreign market.

The methodology of this study is as follows: First, establish a theoretical research framework of internationalization speed and entry mode choice of a CNV through archival analysis, and then identify and confirm this framework with empirical analysis. Then created a survey and case observation. Finally, compare explanation power of internationalization of a CNV between the two perspectives.

According to Guba and Lincoln (1994: 105-117), there are two approaches or methods available to researchers: quantitative and qualitative. A qualitative method has an understanding purpose and goes more in depth with the research than a quantitative method does. The researcher who uses the qualitative method wants to study the phenomena from the inside, which often leads to case studies with in-depth interviews without specific questions or alternative answers. Quantitative research is most often used in studies with clearly stated hypotheses that can be tested. It focuses on well-defined, narrow studies. The quantitative research discusses problems from a broader perspective, often by providing a survey with special answer alternatives.

A focus of this study is to test how factors affect the realization of the international speed of CNV; whether it can forecast UIP or INV perspectives, and determine which answers can be quantified. Therefore, stoical approaches are applied so quantitative approaches can be considered in this research. A Quantitative approach allows for application of statistical methods to measure specific items regarding our

research proposes. The final aspect of this study is to test the foreign market entry mode choice of CNV, for which case observation is utilized. Through these observations, the foreign market entry mode of CNV should be identified and explained. For this purpose, an establishment chain to measure foreign market entry mode choice of CNV by case observation was created.

4.2 Definition and Measurement of Variables

4.2.1 Dependent Variable

Internationalization speed is the length of time that elapsed between the year the venture was created and the year of its first foreign entry. The internationalization speed is measured as the number of years since firm foundation to initial entry into foreign countries markets, it was summarized by prior study (Reuber & Fischer (1997), Zahra et al. (2000b), Roberts & Senturia (1996), Fontes & Coombs (1997), Lindquist (1997) and Burgel & Murray (2000) etc.

4.2.2 Independent Variables

Foreign work experience refers to members of a TMT who have had work experience in countries other than China. Studies have developed measures of foreign work experience, the average period of foreign work experience, and the longest period of members who have foreign work experience prior to start-up (Oviatt & McDougall, 1995; McDougall et

al.1996;Bloodgood et al.,1996;Burgel&Murray 1998).

Education abroad refers to members of a TMT who have had education experience in countries other than China. Education abroad is measured by the average period of foreign education experience and percentage of members who have education abroad prior to start-up (Bloodgood et al.,1996; Burgel&Murray 1998).

Background refers to the members among a TMT with managerial or technical (work or education) experience, summarized by a prior study (Shrader, Oviatt & McDougall 2000; Herrmann & Datta, 2005). Background was categorized by four questions of TMT member's functional experience; it was also summarized by a prior study (Shrader, Oviatt & McDougall 2000; Herrmann & Datta, 2005).

Global vision refers to a mindset of business and behavioral changes (Rhinesmith, 1992). Oviatt & McDougall (1995) loosening the ties that bind members of TMT businesses to a single country or culture. Global vision was categorized by five items, asking respondents to indicate how to loosen ties that bind members among TMT businesses to a single country or culture, it was translated and adapted from the questionnaire by Knight (1997), Moen (2002) and Kjellman & Ramstr (2004).

Competitor orientation can be defined as the ability and the will to identify, analyze, and respond to competitors' actions (Narver and Slater, 1990; Slater and Narver, 1994). Competitor orientation was categorized by four items, asking respondents to indicate the ability of managers and the will to identify, analyze, and respond to competitors' actions. It has been developed by measures from Narver & Slater (1990).

4.2.3 Control Variables

Domestic competition refers to the number of competing players and the intensity of competition in the home market from which the firm operates. Domestic competition was categorized by three items, asking respondents to indicate the number of competing players and the intensity of competition in the home market, this was translated and adapted from the questionnaire by Kjellman & Ramstr (2004).

Industry characteristics refer to the R&D intensity and the innovation rate of the industry in which the firm operates. Industry characteristics were categorized by four items, asking respondents to indicate the R&D intensity and the innovation rate of the industry in which the respondent's firm operates. Butchard(1994) provides a definition of high-technology industries based on the two ratios of 1) R&D expenses to sales and 2) employees working in R&D to total employees. In this study knowledge and technology-intensive industries were translated and adapted from the questionnaire by Burgel & Murray (1998).

4.3 Data collection

As previously noted, the “new venture” definition in the original data paralleled prior research (Biggadike 1979) and classified a firm as a “new venture” if it was 8 years old or less. Thus, ventures in this sample are 8 years old or less in the original sample. Miller and Camp (1985) classified firms of this age as adolescent firms. To test the hypotheses,

this study collected data for firms that met the following two conditions:
 1) they were new ventures – specifically, they were eight years old or younger, 2) they reported international sales after founding.

<Table 4-1> Information about data collection

| City | Beijing | Shanghai | Shenzhen | Total |
|---|---------|----------|----------|-------|
| Total of questionnaires sent | 880 | 630 | 590 | 2100 |
| Total of questionnaires received | 87 | 51 | 92 | 230 |
| Total of valid questionnaires | 69 | 52 | 62 | 183 |
| Response rate | 10% | 8% | 15% | 11% |

Gathering data using survey methodology is planned. The unit of analysis is internationalization of CNV. Though only three regions (Beijing, Shanghai, Shenzhen) are the economic centre of China. Surveyed firms were selected from the list of members of a Chinese association of small and medium-sized businesses. Two thousand and one hundred questionnaires were sent out by post. In all, 230 respondents were collected, of which 183 respondents were valid.

The questionnaire was mailed either to members of the TMT or to the director of the international business division. It is assumed managers or persons who in this position are the most knowledgeable in the

international operation decision process. Managers or persons in this position were asked to reflect on the recent international business decision they were involved with.

<Table 4-2> Information about respondents

| Position of respondents | Chairman of the board | CEO | CFO | CMO | COO | Director | Founder | Vice-president | Total |
|-------------------------|-----------------------|------|-----|-----|-----|----------|---------|----------------|-------|
| Number | 6 | 40 | 11 | 15 | 15 | 54 | 25 | 17 | 183 |
| Ratio (%) | 3.3 | 21.9 | 6 | 8.2 | 8.2 | 29.5 | 13.7 | 9.3 | 100 |

4.4 Questionnaire Design

The questionnaire variables were drawn from the relevant literature, and the reliability and validity of variables are considered to be adequate. Due to company characteristics, they were assessed by a single item. The content of questionnaires was divided into three sections. Section 1 evaluated the factors affecting internationalization speed of CNV; Section 2 was designed for the purpose of understanding the entry mode choice of CNV; Section 3 was designed to acquire the background information of the firm. Each variable and corresponding items of the questionnaire are found in **Table 4-3**.

<Table 4-3> Variables and their corresponding items on the questionnaire

| Variable | | No. on the questionnaire |
|---------------------------------|--------------------------|---------------------------------|
| Company characteristics | | Section C |
| International experience | Foreign work experience | Section A-I: 4,5 |
| | Foreign education | Section A-I: 6,7 |
| | Background | Section A-I: 8,9,10,11 |
| Entrepreneurship | Global vision | Section A -II: 12,13,14,15,16 |
| | Competitor orientation | Section A -II: 17,18,19,20 |
| Environmental Factors | Domestic competition | Section A -III: 21,22,23 |
| | Industry Characteristics | Section A -III: 24,25,26 |
| | | |
| Entry mode | | Section B |

Chapter 5 Results of Analysis

This chapter will analyze the results of the valid questionnaires. It will perform a confirmatory factor analysis to validate the critical factors of respondents TMT foreign experience, TMT education abroad, TMT background, TMT global vision, and competitor orientation. The test will be completed to ascertain the relationships among these variables and internationalization speed using hierarchical multiple regression. Then, text the entry mode choice of CNV and finally, the results of hypotheses test will be presented.

5.1 General Characteristics of Internationalization of CNV

The characteristics of the survey respondents are displayed below:

<Table 5-1> Number of employees of sample firms

| Number of employees | Number of firms | Ratio (%) | Cumulative Ratio (%) |
|---------------------|-----------------|--------------|----------------------|
| 1-20 | 31 | 16.9 | 16.9 |
| 21-50 | 23 | 12.6 | 29.5 |
| 51-100 | 23 | 12.6 | 42.1 |
| 101-200 | 56 | 30.6 | 72.7 |
| 201-300 | 43 | 23.5 | 96.2 |
| More than 300 | 7 | 3.8 | 100.0 |
| Total | 183 | 100.0 | |

The numbers of domestic employees varies from less than 20 to more than 300. As mentioned earlier, we targeted small and middle-sized firms. Most of the firms (96.2%) have 1 to 300 employees, classifying sampling firms as small and medium sized firms as was initially intended. From the sample firms, 50 firms were found, of which the number of employees increased to more than 200 within a very short time span.

Distribution of Responding Firm's Industry

<Table 5-2> Distribution of responding firm's industry of sample firms

Unite: Number of firms (Ratio %)

| | Beijing | Shanghai | Shenzhen | Total |
|-----------------------------------|---------|----------|----------|-----------|
| Consumer Discretionary | 7 | 16 | 9 | 32 (17.5) |
| Consumer Staples | 4 | 5 | 4 | 12 (6.6) |
| Energy | 3 | 0 | 0 | 3 (1.6) |
| Financials | 0 | 3 | 0 | 3 (1.6) |
| Health Care | 7 | 3 | 0 | 10 (5.5) |
| Industry | 28 | 12 | 5 | 46 (25.1) |
| Information Technology | 12 | 11 | 37 | 60 (32.8) |
| Materials | 5 | 0 | 0 | 5 (2.7) |
| Telecommunication Services | 3 | 2 | 7 | 12 (6.6) |
| Total | 69 | 52 | 62 | 183 (100) |

From the data, the sample firms distribute many industries. Among them, high technology industry, such as IT, bio, semi-conductor etc, mainly come from Shenzhen, there are 44 this type firm, accounted for 61%. Traditional industry, such as textile, machinery etc, mainly come from Beijing, there are 54 this type firm, accounted for 49%. From the INV perspective, early internationalization phenomenon was found primarily in technology-intensive new firms, but from my sample, this phenomenon can be found in traditional industry.

Establishment year

<Table 5-3> Establishment year of sample firms

| Year of establishment | Number of firms | Ratio | Cumulative Ratio |
|-----------------------|-----------------|-------|------------------|
| 1999 | 27 | 14.8 | 14.8 |
| 2000 | 25 | 13.7 | 28.4 |
| 2001 | 21 | 11.5 | 39.9 |
| 2002 | 27 | 14.8 | 54.6 |
| 2003 | 29 | 15.8 | 70.5 |
| 2004 | 18 | 9.8 | 80.3 |
| 2005 | 25 | 13.7 | 94.0 |
| 2006 | 10 | 5.5 | 99.5 |
| 2007 | 1 | .5 | 100.0 |
| Total | 183 | 100.0 | |

From the data, firms were established in a minimal time frame, all of them were established after 1999. The average years in business were under five years. As intended in the survey process, firms from the data can be classified as new venture firms.

Annual Sales and international sales

The average annual sales of the sample firms were 129,500,000 RMB. Domestic firms, those with no sales to foreign countries, whereas some researcher think firms started international means that there international sales comprise 5% or more of total sales (McDougall & M.Oviatt, 1996). In this study, technique excluded ventures whose international sales were between 0% and 5% of total venture sales.

<Table 5-4 > Annual Sales of sample firms

RMB:10000

| Annual Sales | 1-200 | 201-500 | 501-1000 | 1001-5000 | 5001-10000 | Above 10000 | Total |
|------------------------|--------------|----------------|-----------------|------------------|-------------------|--------------------|--------------|
| Number of firms | 5 | 11 | 16 | 54 | 43 | 54 | 183 |
| Ratio (%) | 2.7 | 6.0 | 8.7 | 29.5 | 23.5 | 29.5 | 100 |

<Table 5-5 > International sales comprised total sales of sample firms

| International sales Comprised Total sales | Under 0.19 | 0.2 -0.39 | 0.4 -0.59 | 0.6 -0.79 | 0.8-1 | Total |
|--|-------------------|------------------|------------------|------------------|--------------|--------------|
| Number of firms | 32 | 42 | 32 | 21 | 56 | 183 |
| Ratio (%) | 17.5 | 23 | 17.5 | 11.5 | 30.5 | 100 |

Internationalization speed

For the empirical test of internationalization speed of CNV, we used the firm’s elapsed number of years from start to initial entry into foreign countries markets. The result is shown in the **Table 5-6**.

<Table5-6> Period of starting their foreign business from establishment

| Period (year) | Under 1 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | Total |
|------------------------|----------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|
| Number of firms | 52 | 38 | 21 | 13 | 17 | 17 | 12 | 7 | 6 | 183 |
| Ratio (%) | 28.4 | 20.8 | 11.5 | 7.1 | 9.3 | 9.3 | 6.6 | 3.8 | 3.3 | 100 |

The average duration from start to establishment of firms was under 2.4 years. There were 124 firms, this accounted for 68% of firms, which

started international business from inception within 3 years. This phenomenon corresponds to the forecast of the INV perspective, but only 51 firms (28%) were knowledge and technology-intensive, which strays from the INV perspective forecast.

Choice of target countries by Chinese New Ventures

<Table 5-7>: Choice of target countries by Chinese new ventures

| | USA | North-East Asia | South-West Asia | Middle East | Oceania | Africa | Latin America | Europe | North America | Total |
|-----------------|------|-----------------|-----------------|-------------|---------|--------|---------------|--------|---------------|-------|
| Number of firms | 59 | 30 | 38 | 6 | 6 | 7 | 3 | 32 | 2 | 183 |
| Ratio (%) | 32.2 | 16.4 | 20.8 | 3.3 | 3.3 | 3.8 | 1.6 | 17.5 | 1.1 | 100 |

The respondent firms were asked about their chosen target countries. According to the definition, population choices given to the respondents were USA, North-east Asia, South-west Asia, Middle East, Oceania, Africa, Latin America, Europe, and North America. From the table, we found the first selected market by firms of CNV were scattered. They chose USA(59) and Europe (32), possibly attributed to these markets being the largest markets in the world. A lot of the firms studied had operations in neighboring countries, North-east Asia (30) and South-west Asia (38). The short distance to South-west Asia is certainly an explanation, but in the case of North-east Asia only the geographical

distance is short.

5.2 Results of Hypotheses Test

5.2.1 Factors on Internationalization Speed of CNV

Data Analysis Methods

To confirm the hypotheses, the relationships were examined between constructs by having participants evaluate several self-service applications that utilize similar processes. Data analysis for this study included a variety of methods to assess validity and reliability of the measurement instrument and evaluate normality of the data. Cronbach's alpha was used to determine the reliability, and factor analysis was utilized to determine the extent of validity, and data reduction. Correlation analysis was used to determine the strength of the relationship between the variables. The Statistical Package for the Social Sciences (SPSS) Computer Program 13.0 for a Microsoft Windows version was used to analyze the data.

Data Analysis Results

The data was collected by the method of survey. This study established reliability as measured by Cronbach's alpha (Bohrstedt and Knoke, 1982: 21-72) and used principal axis factoring analysis to measure a single, designated construct as was intended. The Cronbach's

alpha is the basic formula for determining reliability based on internal consistency, and it is a commonly accepted measure of internal consistency reliability (Cronbach and Meehl, 1981: 335-359). As shown, the objective of the scale item development was to ensure content validity, referring to the representative or sampling adequacy of the construct domain (Carmines and Zeller, 1979).

Factor analyses were performed, and Cronbach's alphas were calculated to assess the validity and reliability of the seven-point Likert scale items for the constructs in the research model (see Table 5-8). Because a single item was used to test the effect of TMT foreign work experience and TMT foreign education experience, we were unable to isolate two factors in this table.

<Table 5-8> Measurement and reliability estimates of the factors

| Measure | Reliability of coefficient | | |
|---------------------------------------|----------------------------|-------|-------------------|
| | Acronym | Items | Cronbach's alphas |
| International experience | | | |
| The background of TMT | TMTB | 4 | 0.850 |
| International entrepreneurship | | | |
| Global vision | Global Vision | 5 | 0.847 |
| Competitor orientation | Competitor Orientation | 4 | 0.791 |
| Environmental factors | | | |
| Domestic competition | DOME | 3 | 0.813 |
| Industry characteristics | INDU | 3 | 0.819 |

The results of reliability at the individual construct level demonstrated all the scale items for the constructs loaded reasonably on their respective factors with the Cronbach's alpha. With the exception of four constructs exceeding 0.80, one constructs exceeding 0.70.

The majority of the reliability coefficients met the accepted guidelines of 0.60 and above to be regarded as reliable measures. Researchers suggested that reliabilities of 0.70 or higher are appropriate for the hypothesized measures of a construct (Nunnally, 1994). Further, Nunnally indicated that the cutoff point of 0.50 for factor loading is an acceptable measure. Pedhazur and Pedhazur Schmelkin (1991 : 53-61) also suggested that acceptable reliability is at least 0.5 or 0.6 in the early stages of basic research and usually over 0.7. In addition, the factor analysis result showed low cross-loading among the scale items. Based on these results of factor analysis, the scales were judged adequately according to the theoretical support based on prior research and/or the guidelines recommended by Hair et al. (1998).

Construct validity was ensured by means of factor analysis. The first step was to determine if the original data was suitable for factor analysis. **(Table 5-9)**

This result demonstrated that Kaiser-Meyer-Olkin Measure of Sampling Adequacy reached 0.834 indicating sufficient items for each variable; the significance of Bartlett's Test of Sphericity is 0, so the original data was suitable for factor analysis.

<Table 5-9> KMO and Bartlett's Test

| | | |
|--|---------------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | | .834 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1752.168 |
| | df | 171 |
| | Sig. | .000 |

Five of the proposed international speed constructs which had been drawn and modified from earlier studies were examined with a principal axis factoring analysis using a varimax rotation.

Analysis was performed on twenty items that measured international speed of CNV. Factor analysis resulted in 5 factors, as shown in **Table 5-10**. The five factors have eigenvalues greater than 1.0, which is a criterion for a factor to be considered useful. This instrument of measurement demonstrated validity of data. Again, the measurements demonstrated acceptable validity.

<Table 5-10> Summary of factor analysis of the variables

| | TMTB | GLOBAL | COMPETITOR | DOME | INDU |
|----------------------|--------------|---------------|--------------|--------------|--------------|
| TMTB1 | .537 | | | | |
| TMTB2 | .810 | | | | |
| TMTB3 | .741 | | | | |
| TMTB4 | .773 | | | | |
| GLOBAL1 | | .748 | | | |
| GLOBAL2 | | .808 | | | |
| GLOBAL3 | | .769 | | | |
| GLOBAL4 | | .816 | | | |
| COMPETITOR1 | | | .593 | | |
| COMPETITOR2 | | | .739 | | |
| COMPETITOR3 | | | .687 | | |
| DOME1 | | | | .733 | |
| DOME2 | | | | .653 | |
| DOME3 | | | | .811 | |
| INDU1 | | | | | .773 |
| INDU2 | | | | | .740 |
| INDU3 | | | | | .815 |
| Eigenvalues | 2.542 | 7.525 | 1.076 | 1.431 | 1.586 |
| % of Variance | 7.945 | 23.514 | 3.363 | 4.472 | 4.957 |

Extraction Method: Principal Axis Factoring.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 6 iterations.

Once the validity and reliability of the measurements were assessed and found to be satisfactory, the items comprising each variable were summated into a single composite measure for individual respondent for each variable. The correlations of independent variables needed to be

analyzed for indication of possible violations of the regression assumptions. Also, they provided predictions for independents with possible relations to each other. Pearson correlations between the different model independent variables are presented in **Table 5-11**.

<Table 5-11> Correlations between independent variables

| | | | | | | | | | | | | | | | | | | | |
|------------|--------|--------|-------|--------|--------|--------|--------|------|--|--|--|--|--|--|--|--|--|--|--|
| TMTW1 | | | | | | | | | | | | | | | | | | | |
| TMTW2 | .691** | | | | | | | | | | | | | | | | | | |
| TMTE1 | .009 | .022 | | | | | | | | | | | | | | | | | |
| TMTE2 | .420** | .492** | .105 | | | | | | | | | | | | | | | | |
| TMTB | .332** | .379** | -.076 | .409** | | | | | | | | | | | | | | | |
| GLOBAL | .417** | .334** | -.056 | .356** | .423** | | | | | | | | | | | | | | |
| COMPETITOR | .211** | .250** | -.035 | .156* | .346** | .492** | | | | | | | | | | | | | |
| DOME | .186* | .210** | -.052 | .036 | .298** | .365** | .403** | | | | | | | | | | | | |
| INDU | .112 | .134 | .054 | .084 | .085 | .084 | .008 | .012 | | | | | | | | | | | |

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed)

From this table, it is observed most of the values are weak in correlation (less than 0.5). These variables were then utilized for regression analysis and tested to determine if they had effects on internationalization speed of CNV. Few values were larger than 0.5, suggesting strong relationships among the variables. The average period of foreign work experience and longest period of members of TMT who have foreign work experience resulted in a statistically significant

relationship ($r= .691, p<0.01$).

Hierarchical multiple regression analysis

Hierarchical multiple regression analysis is used to allow the assessment of incremental increases in the explained variance of a dependent variable by successive addition of the independent variables. Where the variance explained by previously entered control variables is partially led out. Thus the result of hierarchical regression identified effective factors for a dependent variable. In a hierarchical regression, the researcher decides not only how many predictors to enter but also the order in which they enter. Usually, the order of entry is based on theoretical considerations.

The purpose of the analysis is to compare two theories' explanation power. To start with, the relationships between internationalization speed and the main variables are analyzed which are on international experience and entrepreneurship. This study is using two hierarchical regression analyses to compare the explanatory ability between international experience and entrepreneurship. Both incrementally add sets of variables including control variables and main variables. They are entered into models one by one in order to provide the explanatory ability on the entry of different variable sets. In order to examine the pure effect of the main variables, except the factors of international experience and entrepreneurship, other factors are considered as control variables.

On the test of effects of TMT's international experience, this study

assigned internationalization speed as the dependent variable in four models of the hierarchical regression. According to the research model, domestic competition and industry characteristics were first specified as two control variables in Model I. Against Model I, the TMT's foreign work experience was added as the independent variable in Model II. In this step, the TMT's foreign work experience is the second block in the regression equation. The TMT's foreign education experience is then added as the independent variable in Model III. The TMT's background is then added as the independent variable in Model IV. Finally, there are four blocks in the regression equation. The results are presented in **Table 5-12**, which includes the R-square, the adjusted R-square, the R-square change, the F value, and the significance of the F value the independent variables had on the dependent variable.

First, the control variables were entered in the table, of which the predictors, domestic competition and industry characteristics in Model I accounted for 15.8% ($R^2=.158$) of the variance in internationalization speed. Thus, the result ($F=16.785$, $p \text{ value}<0.01$) supports their use as control variables. As shown in the table, the direction of the relationship between the domestic competition and internationalization speed was positive and significant (regression coefficient $=.397$, $P \text{ value}=.000$). The results indicate there is a positive relationship between domestic competition and internationalization speed of CNV. CNV rapid internationalization speed was confirmed as competition was very intensive in their industry and it was very important to understand the domestic competitors. The relationship between knowledge and technology intensive industries and the industrialization speed wasn't

statistically significant (regression coefficient =-.027, P value=.693). The lack of association was attributed to the industries selected. Firms in our data perceived that the firm of knowledge and technology-intensive were only 72, accounting for 39.4%.

<Table 5-12 > Test of TMT's effects onto speed

| | Internationalization speed | | | | | | | |
|------------------------------|-------------------------------|------|-------------------------------|------|-------------------------------|------|-------------------------------|------|
| | Model I | | Model II | | Model III | | Model IV | |
| Control Variable | | | | | | | | |
| DOME | .397 | .000 | .273 | .000 | .296 | .000 | .241 | .000 |
| INDO | -.027 | .693 | -.094 | .092 | -.094 | .085 | -.104 | .068 |
| Independent Variables | | | | | | | | |
| TMTW1 | | | .334 | .000 | .252 | .005 | .253 | .004 |
| TMTW2 | | | .264 | .004 | .206 | .021 | .177 | .041 |
| TMTE1 | | | | | -.015 | .784 | .007 | .889 |
| TMTE2 | | | | | .231 | .001 | .157 | .019 |
| TMTB | | | | | | | .217 | .000 |
| Regression Results | F=16.890** | | F=37.545** | | F=28.594** | | F=27.972** | |
| | R ² =.158 | | R ² =.458 | | R ² =.494 | | R ² =.528 | |
| | Adjusted R ² =.149 | | Adjusted R ² =.445 | | Adjusted R ² =.476 | | Adjusted R ² =.509 | |
| | | | △ R ² =.300** | | △ R ² =.036** | | △ R ² =.034** | |

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed)

Second, when entering the TMT's foreign work experience and

control variables in step two, significant change was found in R squared between Model I and Model II ($\Delta R^2=.300$, $P<0.01$). This indicated TMT foreign work experience effect on internationalization was statistically significant, approximately 45.8% ($R^2=.458$) of the variance in the criterion variable (internationalization speed) by independent variables. Model II, resulted in an F ratio of 37.545 with a P value < 0.01 . The results indicate there was a significant and positive relationship between foreign work experience of TMTs and internationalization speed of CNV. It may be the higher level of foreign work experience of TMTs, more reduction of the anxiety and complexity of international operation, lead to a rapid internationalization of CNV.

Third, when entering the TMT's foreign education experience in step three, a significant change in R squared between Model II and Model III was found ($\Delta R^2=.036$, $P<0.01$). This indicated the effect of TMT's foreign education experience was significant, approximately 49.4% ($R^2=.494$) of the variance in the criterion variable (internationalization speed) by independent variables. Model III, resulted in an F ratio of 28.594 with a P value < 0.01 . The result showed the predictor to be the average period of TMT's foreign education experience. In other words, the higher level of education abroad experience of TMTs and more aware of international issues creates accelerated internationalization of CNV.

Fourth, when entering the TMT's background in step three, this study found significant change in R squared between Model III and Model IV ($\Delta R^2=.034$, $P<0.01$). This indicated the effect of TMT's foreign education experience was significant. Approximately 50.9% ($R^2=.509$) of the variance in the criterion variable (internationalization speed) by these

independent variables. Model IV resulted in an F ratio of 27.972 with a P value < 0.01. The result showed the predictor to be the TMT's background relationships as this had significant and positive effects on the internationalization speed. The higher level of background experience of TMTs, meant the CNV was more aware of the possibilities and practicalities of international operation, it led to rapid internationalization.

As shown in the **table 5-12**, about 52.8% ($R^2=.528$) of the variance in the criterion variable was explained by the international experience of TMTs. This result demonstrated the internationalization speed of CNV was more powerful when explained by international experience factors. Model IV has an adjusted R square value of 0.509, suggesting a 50.9% explanatory ability on internationalization speed of CNV, which is the highest explanatory ability among these four models. Moreover, its F test is highly significant, therefore Model IV was chosen as the ideal model for the next explanatory analysis.

Not only are TMT's effects on speed a suitable test, the results support domestic competition and industry characteristic as useful control variables. The next relationship evaluated was global vision and competitor orientation occurring in step two, it found a significant change in R squared between Model I and Model II ($\Delta R^2=.194$, $P<0.01$). Indicating the effect of global vision and competitor orientation is significant. Approximately 35.2% ($R^2=.352$) of the variance in the criterion variable (internationalization speed) by these independent variables. Model II resulted in an F ratio of 23.607 with a P value < 0.01. The result showed the predictor to be global vision and competitor

orientation relationships as these had significant, positive effects on the internationalization speed. In other words, entrepreneurship may influence how quickly an entrepreneurial opportunity is exploited, so it accelerated internationalization of CNV.

<Table 5-13> Test of entrepreneurship effects onto speed

| | Internationalization speed | | | |
|------------------------------|---|------|---|------|
| | Model I | | Model II | |
| Control Variable | | | | |
| DOME | .397 | .000 | .215 | .002 |
| INDO | -.027 | .693 | -.068 | .266 |
| Independent Variables | | | | |
| Global Vision | | | .397 | .000 |
| Competitor Orientation | | | .153 | .032 |
| Regression Result | F=16.890** R ² =.158 Adjusted R ² =.149 | | F=23.607** R ² =.352 Adjusted R ² =.337 △ R ² =.194** | |

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed)

As shown in the **table 5-13**, approximately 35.2% (R²=.352) of the variance in the criterion variable was explained by the entrepreneurship of CNV. Results demonstrated the internationalization speed of CNV was explained strongly by entrepreneurship factors. Model II has an adjusted R square value of 0.337, which means it has 33.7% explanatory ability on internationalization speed of CNV, which is the highest

explanatory ability among these two models. Moreover, its F test is highly significant, therefore Model II was chosen as the ideal model for the next explanatory analysis.

Hypotheses 1-3 tested the relationships among TMT's international experience and internationalization speed. Findings of the empirical study indicated international experience of members among TMTs was positively related to the internationalization speed of CNV. In the firms of CNV, which have faster internationalization speed, consistently members of TMTs possess foreign work experience, foreign education, high-level technical or management skills, and large amounts of experience in the businesses in which they were active.

The relationship between average length of foreign work experience and internationalization speed was positive and significant (regression coefficient =.253, P value=.004). This suggested clear support for Hypothesis 1-a. The direction of relationship between the longest standing members who have foreign work experience and internationalization speed was positive and statistically significant (regression coefficient =.177, P value=.041) supporting Hypothesis 1-b. The results of this study indicated that foreign work experience had the greatest influence on the speed of internationalization for CNV. The greater foreign work experiences of the member, the greater the member's capability to convert opportunities into market realities. Overall members of a TMT's knowledge of international market opportunities have resulted in starting new businesses and changing or expanding an existing business to take advantage of the international opportunities. Longer durations of foreign work experience helps TMTs

to reduce the anxiety and complexity associated with operating under conditions of greater uncertainty. It can be concluded, exposure to international experience or market practices significantly influences the firm's drive to rapid internationalize.

The previous results did not support Hypothesis 2-a, the direction of the relationship between percentages of members who have received education abroad and internationalization speed wasn't statistically significant (regression coefficient =.007, P value=.889). Therefore, Hypothesis 2-a was rejected. The data showed that a percentage of members of TMTs who have received education abroad are not equal to the period of education abroad, this reflects the experience of the education abroad directly. Although, a TMT has a large number of members educated abroad, if they did not spend a large amount of time internationally, then we can hardly say this group has rich experience in education abroad. The results showed the direction of relationship between average period education abroad of TMTs and internationalization speed was positive and significant (regression coefficient =.157, P value=.019), which provided clear support for Hypothesis 2-b. The results indicate there may be a causal relationship between average length of education abroad and internationalization speed of CNV. In other words, results support the idea that superior information is equal to processing capabilities, and greater flexibility and openness to change associates with higher educational experience, resulting in TMTs favoring internationalization of CNV. The study also supports McDougal et al (1994) that direct personal contacts may open doors in new markets. Hence, international experiences from studying

abroad leads to international contacts, which influences the speed of internationalization.

The direction of relationships between TMTs who have managerial or technical experience and internationalization speed was positive and significant (regression coefficient =.217, P value=.000, providing clear support for Hypothesis 3. With respect to the influences of member's backgrounds on internationalization speed, it can be concluded that members of TMTs in both "technical skills" and "business management skills" also identified as significantly influential in their decision about international operations. As a result, members of TMTs bring to their work educational knowledge and skills that are largely shaped by their background experience. Due to internationalization of CNV, it is characterized by greater uncertainty and often entails departure from past practices, it can be reasonably argued that internationalization speed of CNV is more likely to value background experiences.

Hypotheses 4-5 tested the relationships among entrepreneurship and internationalization speed. The findings suggest that rapidly internationalized firms of CNV would have stronger competitor orientation and global vision. New ventures that rapidly expand their international operations after their establishment may be expected to have international orientation and marketing advantages related to competition.

As shown in the table, the direction of relationship between the global vision of TMTs and internationalization speed was positive and significant (regression coefficient =.397, P value=.000. This suggested clear support for Hypothesis 4. Findings of this study indicated the

global vision of TMTs played an important role in the speed of internationalization of CNV. It also indicated that members of TMTs were consistent in their perceptions regarding “risk-taking”, impact of “view the international market” and “attitude of achieving foreign goals” on seizing opportunities and using “market research” as an appropriate source of information for international market opportunities and market operation.

The results demonstrated the direction of relationships between competitor orientation firm and internationalization speed was positive and significant (regression coefficient =.153, P value=.032), providing clear support for Hypothesis 5. Mone(1999) found that small exporting firms had a stronger competitor orientation. Since most newly established firms are usually small, it is expected they have a strong competitive edge. The findings suggest that rapidly internationalized firms would have more competitor orientation and thus focus on developing resources to succeed abroad (Knight, 1997).

<Table 5-14>: Results of hypotheses tests

| Hypotheses | Tested results |
|--|-----------------------|
| H1: The longer TMT's foreign work experience, the faster internationalization speed of CNV. | Supported |
| H1-a: The longer average period foreign work of TMT, the faster internationalization speed of CNV. | Supported |
| H1-b: The longer period of members among TMT with the longest foreign work experience, the faster internationalization speed of CNV. | Supported |
| H2: The longer TMT's education abroad experience, the faster internationalization speed of CNV. | Supported |
| H2-a: The higher percentage of members among TMT who have education abroad experience, the faster internationalization speed of CNV. | Rejected |
| H2-b: The longer average period education abroad of TMT, the faster internationalization speed of CNV. | Supported |
| H3: The more background experience of members among TMT, the faster the internationalization speed of CNV. | Supported |
| H4: The higher the global vision of TMT, the faster internationalization speed of CNV. | Supported |
| H5: The higher the competitor orientation of firm, the faster internationalization speed of CNV. | Supported |

5.2.2 Study on foreign market entry mode choice of CNV

For hypothesis 6, it was assumed when CNV chose the foreign market entry mode; they would follow the establishment chain, from low commitment level of entry (e.g. export) to high commitment level of entry (e.g. FDI). It means INV would not follow the order suggested by establishment chain and would choose a higher commitment level of entry mode from the beginning of their business, such as “leap-frogging” (Coviello and Munro, 1995).

<Table 5-15> Results of case observation on entry mode choice of CNV

| | Number of firms | Total Observation cases | Ratio |
|--|-----------------|-------------------------|-------|
| Supporting cases of UIP perspective | | | |
| Indirect exporting → Direct exporting | 23 | 46 | 69.9% |
| Direct exporting → Joint-venture | 19 | | |
| Joint-venture → Wholly owned | 4 | | |
| Supporting cases of INV perspective | | | |
| Indirect exporting → Joint-venture | 7 | 20 | 30.1% |
| Indirect exporting → Wholly owned | 2 | | |
| Direct exporting → Wholly owned | 11 | | |

The findings from the case observation showed 70% of observation cases supported the UIP perspective, when CNV choose the foreign market entry mode, they will follow established chains; 30% observation

cases supported the INV perspective when CNV choose the foreign market entry mode, they will not follow the establishment chain. The means most CNV chose foreign market entry modes, following the UIP perspective; however, this result can not deny the INV perspective.

From the case observations, it was found when CNV firms select foreign market entry modes, many CNV firms (79%) select 'export' (indirect export 34%, direct export 45%) as a first foreign market entry mode. Initial business experiences are with a low commitment level of entry mode (e.g. export) before selecting high commitment level of entry mode (e.g. FDI). It was also observed that firms of CNV still use export mode (45%) as a main business mode in their international business. Specifically, they follow the UIP perspective in a certain sense rather than the INV perspective. In the INV perspective, they assumed that INV would prefer manageable modes, such as Joint-venture (McDougall et al., 1994). This phenomenon is a minor variation from "leap-frogging" as the INV perspective suggested.

Furthermore, analysis of 30 cases, which are using high commitment levels of business mode (e.g. joint-venture and wholly owned) in their international business, revealed the stage mode was not followed step by step. Indeed, the members among TMTs played key roles, they had business experience prior to selecting high commitment level of business. Therefore, it was concluded that the UIP perspective is still useful for firms of CNV. Therefore, hypothesis 6-b could not be accepted.

<Table 5-16>: Results of hypotheses tests

| Hypotheses | Tested results |
|---|----------------|
| H6-a: When CNV choose the foreign market entry mode, they will follow establishment chain, from low commitment level of entry mode (e.g. export) to high commitment level of entry mode (e.g. FDI). | Supported |
| H6-b: When CNV choose the foreign market entry mode, they will not follow establishment chain. | Rejected |



Chapter 6 Concluding Remarks

As previously stated, the purpose of this paper is to find out: Which theory can be applicable to analyze internationalization phenomena of CNV. Is it the UIP perspective or the INV theatrical perspective? Based on the findings from the sample firms analysis, and discussions in Chapter Five, the summary of these findings with respect to the research problem and the research questions are presented in this section.

6.1 Findings of empirical analysis

In order to discuss the findings of the empirical analysis, we evaluated the UIP and INV perspective with respect to the findings of the study. I suggest that the two perspectives should be seen as complementary rather than competing. Based on the findings of the empirical study, I believe there should be few modifications to the two perspectives.

6.1.1 Evaluation and Modification of UIP perspective

Initially, experience of members of a TMT had a key role in the process of internationalization of CNV, this is an essential tenet of the UIP perspective. The UIP perspective emphasizes the importance of experience, as a regulator of speed of starting an international business. Eriksson et al. (1997) demonstrated experience lowers the perceptions of the management regarding the cost of further international expansion,

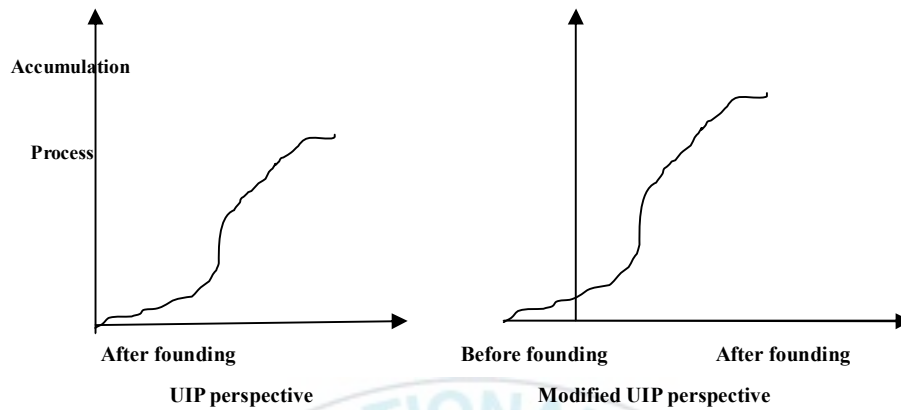
thereby increasing the speed of resource commitments to foreign markets. This finding indicated that members of a TMT within the sampled firms, managed to start new businesses that were rapid in their internationalization, due to their experience and their capabilities. The driving forces of international operations resulted in a manager's receptiveness to available international opportunities; this is dependent on the skills and experience of the individual members. From this study, I found the impact of members was not limited to the initiation of international activities, but continued, through the realization of the market opportunities. Therefore, the influence of international experience on international growth was mediated through the perceived risk of further internationalization in firms that have passed their initial phase of internationalization and accelerated to their internationalization speed.

Second, when firms of CNV select a foreign market entry mode, they generally followed the UIP perspective. Case observations found that 70% of observation cases supported the UIP perspective. When the foreign market entry mode was chosen, they followed the establishment chain. Most CNV firms (79%) selected 'export' (indirect export 34%, direct export 45%) as a first foreign market entry mode and had business experiences with low commitment level of entry mode (e.g. export) before selecting high commitment level of entry mode (e.g. FDI). Firms of CNV still use export mode (45%) as a primary business mode for international business. This phenomenon varied with "leap-frogging" as the INV perspective suggested. Therefore, with respect to the findings of the study, it is believed the UIP perspective can be applicable to analyze,

this opinion supported by Korean samples (Choi & Kim, 2004). However, based on the study, the UIP perspective should undergo modification.

Third, the essentiality of experience among members of TMTs should be considered. The UIP perspective argued the degree of a firm's international expansion will change as international experience increases. The knowledge of international experience is the primary obstacle that new ventures face when operating international businesses from inception. As the firm gains knowledge, it increases the speed of future resource commitments to foreign markets, resulting in greater knowledge of foreign organizing. As experience accumulates slowly, it takes time for the feedback loop to gather significant momentum. The influence of the TMT on internationalization was recently studied by McDougall and her colleagues (McDougall et al. 1994; Oviatt and McDougall 1994). The research demonstrated that firms which are international from birth are typically founded by a team of individuals with international experience. Also relevant are the findings of Bloodgood, Sapienza and Almeida (1995), international experience of the TMT was related to the degree of internationalization of new ventures. Indeed, Buckley (1999) has argued the role of teams is likely to become a major plank in internationalization research. Therefore, explanation of the phenomena of CNV's rapid internationalization, should consider the influence of international experience of members among TMTs prior to start-up.

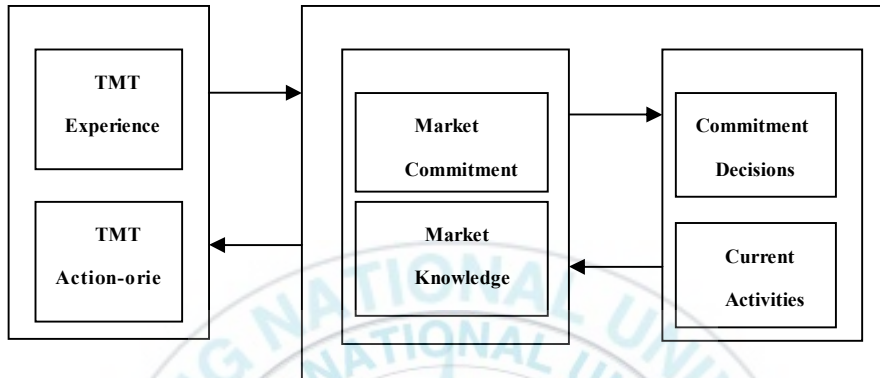
<Figure 6-1> Accumulation of the international experience knowledge



Finally, action-oriented members of a TMT should be considered. In fact, coordination of the firm's goals and international operations (Aharoni, 1966) resulted in establishment of new ventures that were using all their competencies (human resources, know-how, machinery and organization) to develop and compete in the international market. Focusing on the influence of factors on the internationalization speed of CNV, it would appear these factors generally had an impact on the internationalization speed of CNV in three different ways. First impact reflected the "ability" and "capability" of the members of TMT; second impact reflected the mental orientation or "way of thinking" of the members of TMT; the members' perception, willingness, and attitude; third impact reflected the behavior and "action-oriented function" of the TMT, resulting in realization of the international market opportunities and internationalization of the CNV. Therefore, we need to modify the

UIP perspectives of reference to indicate managers' motivation to discover international market opportunities, as well as clarify the role of managers' perceptions of the domestic environment as an initiating force.

<Figure 6-2> Modification of UIP perspective



6.1.2 Evaluation and Modification of INV perspective

Initially, entrepreneurship of TMTs was the key process of the internationalization of CNV. Entrepreneurship was an important factor in the INV perspective's assumptions. Hence, the process of internationalization of CNV was due to the attitude of members during the change processes. In this process, owing to the initiating forces (either external or internal) (Wiedersheim-Paul et al., 1978; Aharoni, 1966: 1-13) the member's alertness and perceptions realized and took advantage of international opportunities. This reflected the global vision and competitor orientation of the firm (coordination of the firm's goal and international operations) (Wiedersheim-Paul et al, 1978; Aharoni,

1966). In this situation, not only did the environment supply the firm with opportunities that had been overlooked by others, it also provided conditions that facilitated the process. Therefore, managers who were alert and bold (innovative and creative) had managed to identify information about international market opportunities through starting new business or initiating changes and innovation in their current firms.

Second, domestic environments pressured managers to initiate a strategic action. In fact, findings confirmed domestic environments were important when dealing with the internationalization of the CNV. Managers' perceptions of the domestic environment explained the decisions and actions above and beyond that explained the firms. The findings confirmed that the firm's domestic environment remained a key frame of reference in determining strategic moves (Porter, 1986) and internationalization of the firms. Although, managers' perceptions of the domestic environment had influenced the managers' attitudes on the viability of international activities (Cavusgil & Zou, 1994), the findings confirmed that internationalization was also wanted by the members of TMTs. The attitude of TMTs is essential in entrepreneurship. This belief was supported by the INV perspective.

Third, the average length of time for starting foreign businesses from establishment to full fledged firms is under 2.4 years, and 124 firms, accounting for 68% of the survey, started international business from inception within 3 years. The findings indicated that the period of time from starting internationalization to establishment of CNV is short, as the INV perspective suggested. However, the INV perspective was still imperfect and needed to be modified.

Finally, the INV perspective should strengthen the ability of explanation for internationalization. Firms need to assume costs when facing risks in the international process, the UIP perspective believes the firm's obstacles are from a lack of experience, knowledge, and resource constraints; however, the INV perspective demonstrated the importance of a firm's top management team during the initial international period. It also demonstrated the importance of utilizing resources of the international market, the firm's network which can provide competitive advantages, but overlooked the INV perspective to overcome international barriers during the initial period. These factors are the essence of the UIP perspective; therefore, the INV perspective should strengthen the ability of explanation on the issue of this problem.

6.2 Implications for Practitioners

The key findings suggest that managers are crucial. The way they think, the choices they make, and their behavior are critical to the internationalization of the new ventures. Awareness of the possibility to influence the future of firms should be encouraging for new ventures' managers. The internationalization of the new venture is not the result of deterministic forces outside the control of the new venture, but it should be wanted and triggered by the experience and orientation of managers among TMTs. Internationalization is largely influenced through conscious decisions made by the manager. Therefore, it is possible for the new venture managers to take such actions that will allow the firm to internationalize, make profits and continue to grow. In broader terms,

managers' visions are very important and the managers' orientation has a great influence on the actual internationalization of the new venture.

For some new ventures, surviving the domestic environment was important, as illustrated by findings in this research. Therefore, it is important to stress that for firms encountering domestic problems, it is important to become international. International new ventures have a greater chance of surviving domestic problems. Thus, the new ventures managers who feel survival in the domestic market is an important goal may consider internationalization as a suitable growth strategy. Furthermore, since factors contributing to internationalization also contribute to growth, internationalization and growth are closely associated. Innovation (establishment of new firm or innovative change in existing firm), awareness, receptiveness attitude and proactive behavior are stressed as central for internationalization, as well as for growth.

In order to fulfill the objective of internationalization, the managers of new ventures should pay attention to factors that influence the process. First of all, international orientation of members pursuing international activities or the methods in which managers approach international activities are primary issues that should be considered by the TMT. For future stages, it is important to be able to be informed about international market opportunities. In this respect, it is important to be conscious of and alert to international market strategy. Of particular importance is the ability to create relationships with the sources of information within international market opportunities. However, the importance of detecting new business opportunities implies the importance of foreign market

information. The next step is to match these opportunities with the firm's core competencies in order to determine whether the opportunity is suitable or not, and subsequently grasp the opportunity, which depends upon the ability and capability of managers.

For this study, emphasis focused on the impact of "experience" and the process of internationalization reflects knowledge of the relationships and awareness of the information. Therefore, in addition to being alert, managers should be receptive towards international market opportunities and flexible to change, the findings implicitly confirm they learn specific business norms and values to develop their business.

Finally, with respect to the broad impact of domestic environment on internationalization of the new ventures in China, it is important to have a strong knowledge of domestic environment opportunities and threats in order to direct their impact in favor of the firm's international activities.

6.3 Limitations and Future Research

According to Marshal & Rossman (1999), any study has limitations. The limitation of any study will vary depending on the deliberate and unconscious choices made. However, choosing to study something implies that something else will not be studied. Therefore, the first limitation is connected with the problem area and purpose of the study.

The findings of this study were based on a sample limited to new ventures in specific regions in the China. Thus, the findings should not be generalized without future replication in a different context. New ventures in other regions of the country or in foreign countries should be

surveyed to determine any similarities and differences in their internationalization pattern and performances (McGrath, MacMillian, and Scheinberg, 1992).

The findings of this study were based on a small number of valid cases of new ventures' international operations. The small number of valid cases also separated analyses of industry effects. There is also a need for improved measure of the study variables. Due to the limited number of questions in the survey data, complicated statistical techniques were not permitted

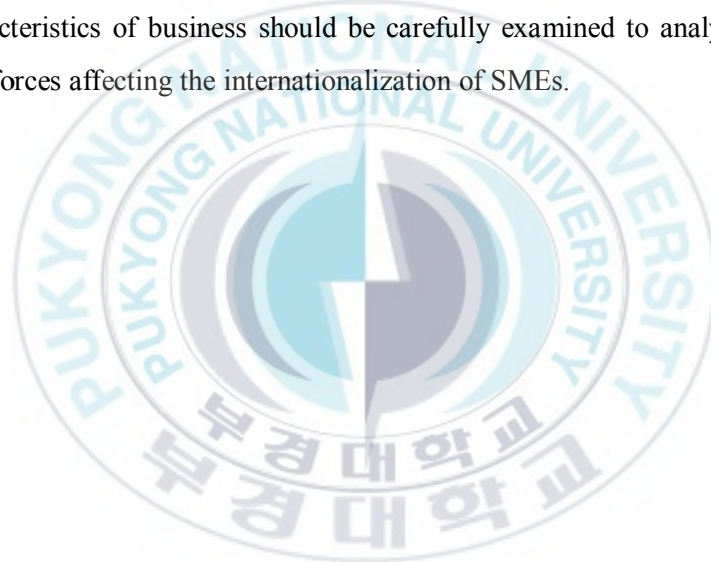
The limitations of this research and its findings should be noted with a view to extending the present study. This section contains some explicit suggestions for future research related to research method and theory as well as empirical issues. We hope these suggestions will encourage others to conduct studies in order to advance our knowledge of the impact of factors on internationalization of SMEs of China and possibly confirm, refine or dispute the propositions made in this study.

The main limitation that restricts the development of the findings is the number of samples. Therefore, selection of a greater number of samples might allow application of more statistical techniques and give a clearer understanding of the driving forces, influential factors, and their causal relationships.

With respect to the role of environment, and willingness of members of TMTs, the research could be extended to investigate the orientation of TMTs. This would determine whether or not the national environment is appropriate for TMT's activities; therefore, appropriate for the internationalization of SMEs.

This study may also be seen as an explicit empirical step in the study of internationalization speed, in terms of international SMEs. Consequently, the investigation can be extended to opportunity-oriented domestic and international SMEs in order to compare the behavior of domestic and international firms.

Lastly, more research should be preformed to examine any additional factors that might have an influence on the internationalization of SMEs. Because of business environment complexity, it is necessary to inquire about other variables that have significant impact on the internationalization of SMEs, especially new ventures. The characteristics of business should be carefully examined to analyze the new forces affecting the internationalization of SMEs.



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| Study on the internationalization speed and entry mode choice of Chinese new ventures |
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Dear Sir,

I am a doctorate student from the department of international commerce & logistics at the Pukyong National University. Your company has excellent and good enterprise image that is widely acknowledged by the society. The academic community also has greatest esteem for your company.

The subject of this research is "study on the internationalization speed and entry mode choice of Chinese new ventures". We hope to combine theories and practices by this research. It is noted that your company has operation in the foreign market.

In the study, we like to investigate internationalization speed and foreign market entry decision determinants. Through the questionnaire variables that relate to the internationalization of your company is our research topic of interest.

All the information gathered by the survey will be applied only to thesis research analysis and I guarantee not to disclose individual data or use the information for any purpose other than my thesis. At the completion of this research, a report of the results will be provided to you as a reference. Thanks for your support and cooperation.

Best Regards.

Section A. The following questions in order to understanding your point of view about how do the factors (top management team characteristic, strategic orientation and environment) affect the international operation of your firm.

I Top management characteristics

In this survey, top management team (TMT) refers to the group of managers described in a prospectus as composing a firm's management team, this list would include the managers with the most power to influence strategic decision making. The TMT was defined as including the Founder, Chairperson of the Board, Vice-Chairperson, Chief Executive Officer, Chief Operating Officer, President, Senior Vice-Presidents, and Executive Vice-Presidents.

Please answer the following questions concern about the information of top management team of your firm.

1. The number of members in the TMT is _____
2. The average age of the top management team is _____
3. How many languages do the TMT members speak? _____

Please answer the following questions with respect the foreign work experience of top management team of your firm.

4. The average period of foreign work experience of TMT prior to start-up: about _____ month
5. The longest period of foreign work experience in TMT prior to start-up: about _____ month

Please answer the following questions with respect foreign education of top management team of your firm.

6. The percentage of TMT members who have foreign education prior to start-up: about _____ %
7. The average period of foreign education of TMT members prior to start-up: about _____ month

Please estimate how well the following statements describe top management team members with managerial or technical position of your firm?

- | | None | Very much |
|---|------|-------------|
| 8. In your firm, to what degree do the TMT members have held technical work experience in key areas? | ① | ② ③ ④ ⑤ ⑥ ⑦ |
| 9. In your firm, to what degree do the TMT members have sufficiently well-rounded managerial work experience? | ① | ② ③ ④ ⑤ ⑥ ⑦ |
| 10. In your firm, to what degree do the TMT members have held technical education? | ① | ② ③ ④ ⑤ ⑥ ⑦ |
| 11. In your firm, to what degree do the TMT members have sufficiently well-rounded managerial education? | ① | ② ③ ④ ⑤ ⑥ ⑦ |

Please estimate how well the following statements describe the global vision of top management team of your firm?

| | Strongly Disagree | Strongly Agree |
|--|----------------------|-------------------|
| 12. The TMT tends to view the world as it's marketplace. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 13. The TMT frequently communicate with foreign market successfully. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 14. Our financial investment made for supporting foreign goals in the foreign markets is adequate. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 15. The TMT is focused on developing resources for achieving foreign goals. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 16. The attitude of TMT members towards internationalization is conservative. | ① ② ③ ④ ⑤ ⑥ ⑦ | |

The next question concern competitor orientation of your firm, please estimate how well the following statements describe the competitor orientation of your firm?

| | Strongly Disagree | Strongly Agree |
|---|----------------------|-------------------|
| 17. We respond rapidly to business actions of the competitors that threaten us. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 18. Our company has competitive advantage over our target customers. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 19. The TMT frequently discusses strength and weakness of major competitor. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 20. Our firm is eager to seek opportunities for competitive edge. | ① ② ③ ④ ⑤ ⑥ ⑦ | |

III Environmental Factors

Please estimate how well the following statements describe the domestic competition related your firm's business?

- | | Strongly
Disagree | Strongly
Agree |
|--|----------------------|-------------------|
| 21. The number of competing player in our home market is many. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 22. The competition in our domestic market is increasing. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 23. The intensity of competition in our industry is very high | ① ② ③ ④ ⑤ ⑥ ⑦ | |

Please estimate how well the following statements describe the characteristics of industry of your firm's involved in?

- | | Strongly
Disagree | Strongly
Agree |
|--|----------------------|-------------------|
| 24. The industry our firm involved in, has high expenditures for R&D. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 25. The industry our firm involved in, has high manufacturing know-how. | ① ② ③ ④ ⑤ ⑥ ⑦ | |
| 26. The industry our firm involved in, has high R&D intensity of product or process. | ① ② ③ ④ ⑤ ⑥ ⑦ | |

Section B. The following options are entry mode choices when your firm enters in to the foreign market.

Please answer the following question or circle applicable number

The foreign market entry mode of firms refers to the method used by firm to establish business in foreign market. In this survey divide entry mode into direct exporting, indirect exporting, licensing, joint venture and wholly owned.

Please answer the following questions with respect foreign market entry of your firm.

27. The first country where your firm entered is _____

28. The most active foreign market (country) of your current business is _____

In the following table, some basic information is asked about your firm's entry mode in the most active market (mentioned above). Please circle the entry mode that your firm have operated and fill in the time for the related entry mode.

| Entry mode | | Year |
|-------------------|--|------|
| Exporting | Direct <input type="checkbox"/> | |
| | Indirect <input type="checkbox"/> | |
| Contract | Licensing <input type="checkbox"/> | |
| Investment | Joint venture <input type="checkbox"/> | |
| | Wholly owned <input type="checkbox"/> | |

29. The most active foreign market (country) of current main entry mode of your firm is _____

Section C. Background information about your firm:

In the following, a few questions are needed to ask to about your firm and the respondent. Please answer the question.

30. Number of employees in your firm? _____

31. How many Annual Sales are in your company? _____

32. The industry type of your firm operates is _____

33. When your firm was established? _____

34. Which year did the firm start doing international
business? _____

35. The international sales comprised total sales in the last financial years
of your firm. about _____%

36. What is your position in the company? _____

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|----------------------------------|
| 关于中国新创企业国际化速度和海外市场进入方式的研究 |
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敬启者：

您好！

素仰贵公司一向以经营卓越、善尽社会责任为著称。在经营成果和社会形象上，不仅为大众所推崇，亦为学术界所赞赏。

我有幸在韩国著名的国际经营专家崔淳权教授的指导下完成本研究。本研究的主题暂时拟定为“关于中国新创企业国际化速度和海外市场进入方式的研究”。我们希望通过此研究，能够使理论和实践得以结合。该研究的对象是已经有开展海外业务的国际化中小企业。

在该研究中，我们主要调查贵公司国际化速度的影响要素和海外特定市场进入方式的演变。国际化速度是指贵公司从成立以来到第一次进入海外市场的时间历程。经由问卷调查，希望了解贵公司在进行国际化发展时，影响贵公司决策的关键因素有哪些。

所有经问卷收集关于贵公司的资讯，仅止于该论文的研究分析所用。我们保证所有信息不会做论文之外的其他所用。待论文完成之后，若您不吝继续赐教，该论文将会呈送给贵公司，俾能给贵公司以参考。在此谨先由衷感谢贵公司的热情协助。

敬祝

事业有成，宏图大展

第一部分：以下问题是为了了解您对于高层管理团队的特征、战略导向和环境要素对贵公司国际化运营状况所产生的影响

I 高层管理团队的特征

☆ 填写说明： 高层管理团队在本研究中是指位于公司战略规划决策以及执行的最高层，其间成员通常由几位负责公司战略规划决策以及执行的重要的经理组成。在本研究中，高层管理团队成员包括贵公司的创立者、董事长、副董事长、总裁、总经理、首席执行官、首席运营官，以及上述职位的副职。

请根据贵公司高层管理团队的实际情况填写以下内容：

1. 贵公司高层管理团队的人数是多少？ _____ 名
2. 贵公司高层管理团队成员的平均年龄是多少？ _____
3. 贵公司高层管理团队成员能够使用的外语种类是多少？ _____
种

请评估贵公司高层管理团队成员在国外工作经验的实际情况，并填写以下内容：

4. 贵公司高层管理团队成员在公司建立前所拥有在国外工作经验平均时间大约是：
_____ 月
5. 贵公司高层管理团队成员中在公司成立前所拥有的最长在国外工作经验时间是：
_____ 月

请评估贵公司高层管理团队成员接受海外教育的实际情况，并填写以下内容：

6. 贵公司高层管理团队中，在公司建立前在国外接受过教育的成员占团队成员的百分比大约是：
_____ %

7. 贵公司高层管理团队成员在公司建立前在国外所接受的教育平均时间大约是：
_____ 月

以下问题，是有关公司高层管理团队成员工作背景的描述，请根据贵公司的实际情况，选择适当的编号，并打“√”。（以下数字代表的含义分别是：①完全没有；②很少；③比较少；④无意见；⑤比较多；⑥很多；⑦非常多）

| | 完全 没有 | ① | ② | ③ | ④ | ⑤ | ⑥ | ⑦ | 非常 多 |
|---------------------------------------|----------|---|---|---|---|---|---|---|---------|
| 8. 在贵公司，高层管理团队中拥有业务核心领域技术工作经验的成员状况是： | | ① | ② | ③ | ④ | ⑤ | ⑥ | ⑦ | |
| 9. 在贵公司，高层管理团队中拥有丰富的管理工作经验的成员状况是： | | ① | ② | ③ | ④ | ⑤ | ⑥ | ⑦ | |
| 10. 在贵公司，高层管理团队中拥有业务核心领域技术教育背景的成员状况是： | | ① | ② | ③ | ④ | ⑤ | ⑥ | ⑦ | |
| 11. 在贵公司，高层管理团队中拥有丰富的管理教育背景的成员状况是： | | ① | ② | ③ | ④ | ⑤ | ⑥ | ⑦ | |

以下问题，是有关公司高层管理团队成员全球观的描述，请根据贵公司的实际情况，选择适当的编号，并打“√”。

| | |
|-----------|----------|
| 非常 不同意 | 非常 同意 |
|-----------|----------|

12. 贵公司的高层管理团队成员将公司运营的目标市场着眼于全球各个地区。 ① ② ③ ④ ⑤ ⑥ ⑦
13. 贵公司的高层管理团队成员能够经常顺利交流有关海外市场看法。 ① ② ③ ④ ⑤ ⑥ ⑦
14. 贵公司对海外市场运营目标的财务支持是足够的。 ① ② ③ ④ ⑤ ⑥ ⑦
15. 贵公司的高层管理团队成员为实现海外运营的目标重视企业资源的开发。 ① ② ③ ④ ⑤ ⑥ ⑦
16. 贵公司的高层管理团队成员对于企业国际运营的态度是保守的。 ① ② ③ ④ ⑤ ⑥ ⑦

以下问题，是有关公司竞争导向的描述，请根据贵公司的实际情况，选择适当的编号，并打“√”。

- | | | |
|--|-----------|----------|
| | 非常 不同意 | 非常 同意 |
|--|-----------|----------|
17. 当竞争者的经营活动威胁到贵公司时，贵公司能够做出快速的反应。 ① ② ③ ④ ⑤ ⑥ ⑦
18. 对目标客户而言，贵公司拥有竞争优势。 ① ② ③ ④ ⑤ ⑥ ⑦
19. 贵公司的高层管理团队成员经常讨论主要竞争者的优势和劣势。 ① ② ③ ④ ⑤ ⑥ ⑦
20. 贵公司热心于寻找获取竞争优势的机会。 ① ② ③ ④ ⑤ ⑥ ⑦

III 环境要素

以下问题，是有关贵公司所涉及的业务的国内竞争状况的描述，请根据贵公司的实际情况，选择适当的编号，并打“√”。

非常
不同意 非常
同意

21. 贵公司所涉及的业务，在国内市场上竞争者的数量十分多。 ① ② ③ ④ ⑤ ⑥ ⑦
22. 贵公司所涉及的业务，国内市场的竞争的态势是不断增长。 ① ② ③ ④ ⑤ ⑥ ⑦
23. 贵公司所涉及的业务，国内市场的竞争程度十分剧烈。 ① ② ③ ④ ⑤ ⑥ ⑦

以下问题，是有关贵公司所涉及的业务的产业状况的描述，请根据贵公司的实际情况，选择适当的编号，并打“√”。

非常
不同意 非常
同意

24. 贵公司所涉及的行业，研发费用比较高。 ① ② ③ ④ ⑤ ⑥ ⑦
25. 贵公司所涉及的行业，工艺技术知识比较复杂。 ① ② ③ ④ ⑤ ⑥ ⑦
26. 贵公司所涉及的行业，在生产和工艺流程上的研发密集度是比较高的。 ① ② ③ ④ ⑤ ⑥ ⑦

第二部分：以下问题是为了了解贵公司进入海外市场时所选择的进入方式的相

☆ 填写说明：海外市场的进入方式是指企业依据海外开展业务的需要，所进行的制度安排。企业在转移产品、技术、人力、知识和其他资源时，所寻求将其营运功能跨越到海外市场的最佳方式。

本研究将企业海外市场进入方式区分为以下几种：

间接出口：通过本国的外贸公司，或外国设在本国的机构的采购或代理的方式出口产品。

直接出口：企业直接将产品出口给海外中间商或最终用户的方式。

合同进入模式：是国际营销企业和目标国家之间在转让技术、工艺、经营方式等方面订立的长期的非投资性合同，转让方因此进入接受方市场。

特许经营：企业向特许接受者提供商标、商号，允许销售其商标的产品，并收取费用。

合资经营：由企业和国外的一个或几个企业共同投资、联合组建海外运营公司。

独资经营：设在海外的独资经营企业是完全由母公司控制的子公司，企业承担在外国市场的生产营销的全部责任。

请根据贵公司的实际情况填写以下内容：

27. 贵公司开展海外业务时，进入的第一个国家是： _____

28. 在贵公司开展的海外业务区域中，目前业务最活跃的国家是： _____

下面的表格是关于贵公司海外市场进入方式的基本信息。在贵公司当前业务最活跃的国家（问题43），请根据贵公司的实际情况，使用“✓”在□中按照先后顺序选择贵公司已经采用的海外市场进入方式，并填入相应的年度。

| 海外进入方式 | | 年度 |
|--------|-------------------------------|----|
| 出口 | 间接出口 <input type="checkbox"/> | |
| | 直接出口 <input type="checkbox"/> | |
| 合同 | 特许经营 <input type="checkbox"/> | |
| 投资 | 合资经营 <input type="checkbox"/> | |
| | 独资经营 <input type="checkbox"/> | |

29. 贵公司开展海外业务最活跃的国家当前所采用的进入方式是：

第三部分：贵公司的基本信息

以下内容是关于贵公司的基本信息，请根据贵公司的实际情况填写以下内容

容：

30. 贵公司目前的雇员人数是：_____

31. 贵公司的年度销售收入大约是：_____

32. 贵公司业务涉及的产业类别是（如果不能确定，请回答贵公司的主要产品或服务）：

33. 贵公司成立的时间是：_____

34. 贵公司首次开展海外业务的时间是：_____

35. 在最近一个年度，贵公司海外销售收入占总销售收入的比例大约是：
_____ %

36. 您在公司的职位是：_____

本问卷已经结束，感谢您的支持，祝您万事如意！

중국벤처기업 국제화 속도와 해외시장진출 형태 결정에 관한 연구

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요약

현재 국제무역은 기술 혁신과 글로벌화의 가속적인 변화에 따라 매우 활발해지고 있다. 이런 시장경제 환경의 변화는 대기업뿐만 아니라 중소 기업에도 큰 영향을 미친다. 이런 시장환경에서 중국 중소기업들은 창업 초기부터 국제시장에 적극적으로 진출하였다. 하여 본 논문은 중국 벤처기업을 대상으로 이런 국제화 현상에 대하여 이론적인 분석과 평가를 하고자 한다.

중소 기업 국제화의 전통적인 이론 중에서 제일 중요한 것이 읍살라 국제화 과정이론(UIP)이다. 읍살라 국제화 과정이론(UIP)은 해외 시장 지식이 부족하기때문에 기업의 국제화 과정은 느리고 점진적이라는 관점을 주장하고 있다. 최근 중소기업 국제화에 관한 제일 이슈인 관점은 국제 신생벤처기업 이론(INV)이다. INV이론은 많은 창업 초기의 기업은 국제화 과정을 점진적인 국제화 현상에 반론을 제기하고, 신생벤처기업의 급속한 국제화

현상을 설명하고자 하는데 초점을 두고 있다. .

본 논문은 전통 관점(UIP이론)과 뉴관점(INV이론)을 비교하고 분석함으로써 중국 벤처기업의 국제화 현상에 있어서 어느 것이 더 설명력을 갖고 있는지에 목적을 두었다. 이 연구 목적을 토대로 본 논문은 두 부분으로 나누어 세부적인 연구를 하였다.

첫 번째, 본 논문은 “국제화 경험”과 “entrepreneurship”을 기업의 국제화 속도에 미치는 영향에 있어서 읍살라 국제화 과정이론(UIP)과 국제신생벤처기업이론(INV)의 해석 능력을 비교하고 분석하였다. 두 번째, 본 논문은 집중적으로 중국 벤처기업이 해외 시장에 진입할 때 UIP와 INV 두 이론중 어느 것을 따르는 것인가를 예측하였다. 본 논문의 연구방법은 아래와 같다. 우선, 선행 연구를 통하여 중국 벤처기업의 국제화 속도와 해외 시장 진입 형태의 이론적 모형을 설립하였다. 두 번째, 본 논문의 상관 연구에 의하여 실증 분석 모형을 설립하였다. 세번째, 설문 조사와 관찰법을 통하여 상관 연구를 하였다. 마지막으로, 연구 결과에 의하여 UIP와 INV가 중국 벤처기업의 국제화 현상에 있어서의 해석능력에 대하여 비교 분석하였다.

본 연구 결과, 1) 전통적인 관점(UIP)은 여전히 중국 벤처기업의 국제화 현상을 설명하는 데 적용하고, 고층 관리자의 국제화 경험이 벤처기업의 국제화 과정 중에서 중요한 역할을 하고 있다는 것이다. 중국 벤처기업은 해외 시장의 선택 방식이 여전히 읍살라 국제화과정이론(UIP)이 적용한 것으로 나타났다. 2) 뉴관점(INV)도 필수적이다. 중국 벤처기업은 창업시기때부터 처음 해외 시장에 진입할 때까지의 시간이 아주 짧은 것으로 나타났다. Entrepreneurship은 이 과정에서 아주 중요한 역할을 한다. 그러나 연구를 통하여 이 두 개 이론은 수정이 필요하다고 생각한다. 읍살라

국제화과정이론(UIP)은 국제화 경험뿐만 아니라 고층 관리자의 창업 의도도 고려해 줘야 한다. 그리고 국제신생벤처기업이론(INV)은 벤처기업은 처음에 어떻게 국제화 장애를 극복하는지에 대한 해석과 설명을 강화시켜야 한다는것을 설명하였다.

본 논문연구는 일정한 한계가 있다. 예를 들면: 표본량이 부족하여 관련연구 및 연구 모형에 있어서 제한을 받았다. 미래의 연구중에서 실증 분석을 강화시켜야 하고 중소 기업 국제화 과정의 영향 요소를 더 많이 증가하여 연구하여야 한다. 그리고 연구방법에 있어서 비교연구법을 채용하여 국제화된 기업과 국제화되지 않은 기업의 차이점을 분석하여 관련된 영향 요소를 찾아내는 것도 아주 좋은 방법이다.



주제어:벤처기업, 국제신생벤처이론(INV), 읍살라국제화과정이론(UIP),
국제화 속도, 해외 진입 방식