

**FACTORS HINDERING/PROMOTING THE INTERNATIONAL EXPANSION OF
SMEs FROM CHINA. EVIDENCE FROM ANHUI PROVINCE**

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ABSTRACT

The paper aims to study the international expansion of SMEs in an emerging country. Mathews' (2006) Linkage–Leverage–Learning (LLL) model is the framework applied to analyse the process of international expansion of SMEs. To operationalise the study of the barriers, the LLL model was linked to the work of Leonidou (2004). The data was collected from 154 SMEs operating in Anhui, China, and then analysed using multivariate regressions; the models used the firms' export intensity at the regional, national, and international level as dependent variables. Five models were run: two analysing the internal and external barriers hindering firms' international expansion, the other two models studying the characteristics of Chinese international companies (state funding and ownership), and the fifth model the industry where SMEs operate as independent variables. The results show that 12 of the barriers defined by Leonidou are hindering the expansion of Anhui's SMEs, that the ownership, funding, or industry do not play an important role in this expansion. The findings are then analysed in comparison with recent works on Chinese SMEs from where conclusions are drawn.

Keywords: Internationalisation, Emerging economy firms, SMEs, Expansion, Factors and barriers, China

INTRODUCTION

The Chinese authorities are actively pursuing the development and national and international expansion of small and medium-sized enterprises (SMEs) (China Development Bank, 2010; Ministry of Commerce of the People's Republic of China, 2008a, 2008b, 2008c) considering their important role in entrepreneurship, job creation, technology diffusion, fiscal income, identification and adoption of international best practices, risk diversification, and wealth generation (Cardoza, 1997).

In the early development stage which they are currently in (Boisot & Meyer, 2008; Cardoza & Fornes, 2009; Ge & Ding, 2008; Liu, Xiao, & Huang, 2008; Nolan, 2001), Chinese SMEs, may be facing factors/barriers that are promoting/hampering this expansion process and which have to be assessed. Managers, academics, and policy makers need to identify and understand the challenges posed by this expansion process, especially as the current literature on the internationalisation of emerging countries' SMEs is scarce. In addition, it has been suggested that the Chinese outward internationalisation process seems to differ from the patterns seen in other countries (Boisot & Child, 1996; Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007; Child & Rodrigues, 2005; Child & Tse, 2001; Fornes & Butt-Philip, 2009; Mathews, 2006; Yamakawa, Peng, & Deeds, 2008). In this context, the international expansion of SMEs from China is worth studying to understand the factors hindering/promoting this internationalisation process.

This paper is structured as follows. First, a review of the literature on the national and international expansion of Chinese firms is presented; this is followed by a description of the main conceptual framework; third, the aims, methodology and analysis of the data are explained; and fourth, the results of the analysis are presented. The paper finishes with a summary and conclusions.

LITERATURE REVIEW

Most of the works on the national and international expansion of Chinese companies are based on large companies. Studies on the expansion of Chinese SMEs are scarce. Nevertheless, and due to the pace of change in the Chinese economy, it could be argued that many of the now relatively large companies were small or medium-sized organisations only a few years ago. Examples of this rapid transformation worth mentioning are what Zeng and Williamson (2003) called “competitive networks”, a group of companies that “have taken on world markets by bringing together small, specialized companies that operate in close proximity”, and “technology up-starts”, firms exploiting technology developed by research institutes owned by the government. As a consequence, it would be relatively safe to say that some of the characteristics found in previous studies on China’s international companies may also be applicable, to some extent, to small, medium and large firms.

The process of international expansion of Chinese firms has gone through three main stages: a first, mainly experimental stage up to the 1990s, characterised by a strong supervision from the Government, followed by a second stage during the 1990s, which saw a large increase in the number of Chinese subsidiaries abroad with little strategic focus and many of them reporting losses (Buckley et al., 2007; Cai, 1999; Quan, 2001; Warner, Ng, & Xu, 2004; Zhang & Van Den Bulcke, 1996). A third stage has started recently as a “number of leading Chinese firms have begun to internationalise with a view to becoming global players in international markets” (Child & Rodrigues, 2005).

Previous works have also suggested that Chinese firms operating overseas present unique characteristics. First, they tend to lean on ethnic and other similar networks for business opportunities, relations with local authorities, and management of labour (Brown, 1995; Lecraw, 1993; Yeung & Olds, 2000). In this context, Rauch and Trindade (2002) found that “ethnic Chinese networks have a quantitatively important impact on bilateral trade through

mechanisms of market information and matching and referral services, in addition to their effect through community enforcement of sanctions that deter opportunistic behaviour” . Boisot and Child (1996) and Yiu, Lau, and Bruton (2007) also said that Chinese managers use these networks as a way of reducing transaction costs and exploring new business opportunities.

A second characteristic was described by Cai (1999) and Rui and Yip (2008) who said that the central and local governments encouraged and directed the outward FDI process up to the mid-1990s, aimed mainly at promoting exports and securing raw materials, although some state-owned companies also used their investments abroad to acquire technology and skills. This interplay between government intervention and the entrepreneurial spirit implicit in mainstream theory was studied by Zhang and Van Den Bulcke (1996), who claimed that the Chinese internationalisation process in the early 1990s was the result of a balance between “the influence of the governmental bureaucratic system” and the “development of a real entrepreneurial logic” .

A third characteristic of Chinese international companies was presented by Nolan (2001), who argued that “the competitive capability of China’s large firms after two decades of reform is still painfully weak in relation to the global giants” mainly in the areas of R&D, marketing ability, development of brands, and restriction from the authorities. Nolan continued and suggested that this is probably the result of the government’s protection of the domestic market, advantageous funding conditions, protection of distribution channels and procurement from the government.

Mathews (2006) added three more characteristics: a very rapid internationalisation, an internationalisation achieved through organisational innovations (rather than based on technological innovations), and the development of strategic innovations that enabled “them to exploit their latecomer and peripheral status to advantage” .

The Internationalisation of SMEs from China: Conceptual Framework

Child and Rodrigues (2005) argued that these specific characteristics of the Chinese outward internationalisation process need to be analysed using a different perspective. In this context, Mathews proposed an extension of the OLI paradigm (Dunning, 1977) as this traditional model uses “a ‘push-oriented’ concept” from Western MNEs where the firm’s internationalisation “is propelled by some strategic objective”, rather than by a pull and push process that seems to be the reality for most Asian Pacific companies (Mathews, 2006). This extended model, LLL (Linkage, Leveraging, and Learning), is supported by the idea that the internationalisation of “EE [emerging markets]-based firms is not necessarily based on the possession of overwhelming assets, but rather on firms’ ability to leverage its capability in organizational learning” (Yamakawa et al., 2008).

Mathews claimed that one of the main differences with the traditional view is that “the object of analysis is the barriers to diffusion, seen from the perspective of the incumbent looking to delay the entry by competitors ... by contrast from the perspective of ... [Chinese companies] ... the object of this analysis is how such barriers may be overcome” (2006). This claim introduces the first objective of this work, to identify and understand the factors/barriers (if any) that hinder the international expansion of SMEs from China. Within this first objective the first hypotheses arise:

H1: SMEs from Anhui face internal barriers that hinder their international expansion.

H2: the environment for SMEs in Anhui presents external barriers that hinder the firms’ international expansion.

In addition, an institution-based view has emerged in strategy in emerging markets (Fornes, 2009; Meyer & Peng, 2005; Peng, 2003; Wright, Filatotchev, Hoskisson, & Peng, 2005) that considers internationalisation as the “outcome of the dynamic interaction between organizations and institutions” (Yamakawa et al., 2008). In the particular case of Chinese

companies, this interaction is evident in the support from the national and local governments to internationalise their operations (Cai, 1999; Fornes & Butt-Philip, 2009; Rui & Yip, 2008) to which Matthews added that SMEs, in particular, have to find ways to offset risks like “joint ventures and other forms of collaborative partnership as a means of gaining entry to foreign markets” (2006). Ge and Ding (2008) reached similar conclusions.

This idea introduces the second objective of this paper, to analyse the effects (if any) of different ownership types and also of the financial support received from the state (two of the main characteristics of Chinese international firms (Boisot & Child, 1996; Brown, 1995; Cai, 1999; Fornes & Butt-Philip, 2009; Lecraw, 1993; Rui & Yip, 2008; Yeung & Olds, 2000; Yiu et al., 2007; Zhang & Van Den Bulcke, 1996)), and also part of the interaction between institutions and organizations) as potential factors hindering/promoting the international expansion of SMEs.

Within the second objective, two more hypotheses arise:

H3: the ownership by the state facilitates the international expansion of SMEs from Anhui.

H4: financial support from the state facilitates the international expansion of SMEs from Anhui.

All in all, these two sets of objectives attempt to assess, first, the barriers to the internationalisation that SMEs from China face (Mathews’ argument of a push and pull process) and, second, the interaction between institutions and organizations (the first two Ls in the LLL model, Linkage and Leveraging (Mathews, 2006; Yamakawa et al., 2008).

Finally, as a complement to the external and internal factors presented in *H1* and *H2*, it was deemed necessary to see if a relation exists between internationalisation and industry. This analysis also tries to fill a gap in a previous work on China’s SMEs (Cardoza & Fornes, 2009).

Within this context, *H5* arises:

H5: the international expansion of Anhui Province-based SMEs is related to the industry in which the firms operate.

DEFINITIONS, SAMPLE, AND METHODOLOGY

The definition of internationalisation used in this work is comprised of that proposed by Leonidou (2004): “the firm’s ability to initiate, to develop, or to sustain business operations” outside their local market, plus that proposed by Mathews (2006): “the process of the firm’s becoming integrated in international economic activities” (which covers export activities as well as foreign direct investment). This combined definition intends to take account of the process that takes SMEs from local to international markets (within Learning, the third L in the LLL model (Mathews, 2006)). It also considers the specific situation of an “unusually fragmented” Chinese market, where it has been reported that “access to foreign markets is easier and cheaper than access to most of the country’s domestic markets” (Boisot & Meyer, 2008). In this context, barriers for the national and international expansion of SMEs are those hindering this internationalisation process (Leonidou, 2004).

The definition taken for SMEs is the one given by the National Bureau of Statistics of China (2007) and can be seen in Table 1.

[Insert Table 1 around here]

The barriers to the internationalisation were operationalised using Leonidou’s (2004) recollection of barriers hampering the international development of SMEs¹. The definition for these barriers is similar to that proposed by Leonidou (2004).

^[1] Leonidou found two main types of barriers: (i) internal barriers are “associated with organizational resources/capabilities and company approach to export business” and can be broken down into Informational, Functional, and Marketing; on the other hand, (ii) external barriers are those “stemming from the home and host environment within which the firm operates” and can be classified as Procedural, Governmental, Task, and Environmental.

The data was collected using a questionnaire based on the set of factors/barriers presented by Leonidou (2004). The questionnaire contained different 5-point Likert-type scale questions designed to measure the perception of the barriers examined. It was applied to a convenience sample of 170 senior managers and directors of SMEs in Anhui Province between December 2008 and May 2009 (data from only 154 questionnaires were used as the replies from the other 16 were not complete).

The participants operate within similar idiosyncratic characteristics (managerial, organizational, and environmental) making the barriers operative (Barret & Wilkinson, 1985) and, as a consequence, a similar contextual view of the challenges faced by their firms can be expected.

Table 2 presents selected answers from the survey. In this table it is possible to see that around 11% of the firms in the sample are owned by the state (more than a 50% stake). These companies operate mainly in manufacturing (41%), wholesale (13%), and professional services (10%). Most were founded more than six years ago, and the great majority of their managers are men (79%) between 35 and 54 years old, with a university education. These companies show a relatively high active participation by members of the managers' families. Most of these SMEs have funded their operations using loans, mainly from state-owned banks, in the last two years.

[Insert Table 2 around here]

The data analysis is based on multivariate regression analyses using export intensity (the ratio of sales outside the companies' region of origin, Anhui, to total sales) as a dependent variable and the answers from the survey as independent variables. Export intensity, a measure of expansion firm performance (Bonaccorsi, 1992; Calof, 1994) and used as a proxy for integration in international economic activities in this model, was taken at three different levels: regional, national, and international. This three-level analysis was designed to assess

the firms' ability to leverage their capability in organizational learning proposed by Mathews (2006) and Yamakawa et al. (2008). (2008). It also considers the specific situation of an "unusually fragmented" Chinese market, where it has been reported that "access to foreign markets is easier and cheaper than access to most of the country's domestic markets" (Boisot & Meyer, 2008)². The models for hypotheses 1 and 2 can be seen in the equations below, a search for a parsimonious version of these equations then took place:

Internal barriers:

$$R_i; N_i; I_i = \alpha + \theta_1 \text{InfoSources}_i + \theta_2 \text{Data}_i + \theta_3 \text{Contacts}_i + \theta_4 \text{Time}_i + \theta_5 \text{Skills}_i + \theta_6 \text{Facilities}_i + \theta_7 \text{Finance}_i + \theta_8 \text{Product}_i + \theta_9 \text{Design}_i + \theta_{10} \text{Quality}_i + \theta_{11} \text{Labels}_i + \theta_{12} \text{Postsale}_i + \theta_{13} \text{Price}_i + \theta_{14} \text{CompPrice}_i + \theta_{15} \text{Credit}_i + \theta_{16} \text{Distribution}_i + \theta_{17} \text{DistAccess}_i + \theta_{18} \text{Representatives}_i + \theta_{19} \text{Control}_i + \theta_{20} \text{Supply}_i + \theta_{21} \text{Warehouses}_i + \theta_{22} \text{Transport}_i + \theta_{23} \text{Promotion}_i + \varepsilon_i \quad (\text{Equation 1})$$

External barriers:

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Paperwork}_i + \theta_2 \text{Communication}_i + \theta_3 \text{Payment}_i + \theta_4 \text{Assistance}_i + \theta_5 \text{DomRegulations}_i + \theta_6 \text{Preferences}_i + \theta_7 \text{Competitiveness}_i + \theta_8 \text{EconEnvironment}_i + \theta_9 \text{ExchRate}_i + \theta_{10} \text{PolInstability}_i + \theta_{11} \text{HostRegulations}_i + \theta_{12} \text{Tariff\&NTB}_i + \theta_{13} \text{Familiarity}_i + \theta_{14} \text{Socio-cultural}_i + \theta_{15} \text{Verbal}_i + \varepsilon_i \quad (\text{Equation 2})$$

where R_i , N_i , and I_i are the export intensity at the regional, national, and international level (respectively) of company i ³. The definition of the variables can be seen in Figure 1.

[Insert Figure 1 around here]

For hypotheses 3 and 4, multivariate regressions were also run with export intensity at the different levels – regional, national, and international – as dependent variables⁴, and the types

^[2] Anhui is not one of the most developed regions in China, and this initial exploratory study was deemed necessary as there are only a few works on Chinese SMEs outside the more developed cities/regions on the coast (and also because these are one of the first works applying Leonidou's set of barriers to an emerging economy).

^[3] *EconEnvironment*, *ExchRate*, and *PolInstability* were not included in the Regional and National expansion models as they do not apply. They were only included in the International expansion model.

of ownership of the SMEs and the funding sources in the last two years as independent variables. The models can be seen in Equation 3 and Equation 4. It is expected that the results show positive effects, i.e. the participation of the government in the capital of the firms and its financial support will be instrumental in the national and international expansion of SMEs.

Ownership types

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Family}_i + \theta_2 \text{SpecialPartnerships}_i + \theta_3 \text{FinancialInstitutions}_i + \theta_4 \text{State}_i + \varepsilon_i$$

(Equation 3)

Funding sources

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Personal}_i + \theta_2 \text{State}_i + \theta_3 \text{Private}_i + \varepsilon_i \quad (\text{Equation 4})$$

where R_i , N_i , and I_i are the export intensity at the regional, national, and international level (respectively) of company i .

In Equation 3 the independent variables represent different ownership types (which are measured using the percentage of their stake in the company). *Special Partnerships* include Joint Ventures (JV), Original Equipment Manufacturing (OEM) agreements, and other partnership types with international companies.

In Equation 4, (i) *Personal* sources include the answers under the following headings: Own Savings, Family, Second Mortgage, Credit Card, Loans from Friends, Inheritance, and Pension; (ii) *State* sources comprise Overdrafts, Subsidies, Leasing, Loans from Banks, and Subsidised Loans; and (iii) *Private* sources include Venture Capital, Suppliers, Other Business, Previous Years' Profits, Private Investors, and Depreciation. In this model it is important to mention that the great majority of the banks in Anhui are owned by the state (local or national).

^[4] Export intensity (the ratio of sales outside the companies' region of origin, Anhui, to total sales); same reasons to the internal and external barriers apply.

Also, for hypothesis 5, a multivariate regression was run with export intensity at the different levels – regional, national, and international – as dependent variables⁵, and the industries where the SMEs are operating as independent variables. The model can be seen in Equation 5.

Industry

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Manufacture}_i + \theta_2 \text{Hotel/Rest}_i + \theta_3 \text{Retail}_i + \theta_4 \text{Wholesale}_i + \theta_5 \text{ProfessionalSs}_i + \theta_6 \text{IT}_i + \theta_7 \text{Construction}_i + \theta_8 \text{Transportation}_i + \theta_9 \text{RealEstate}_i + \theta_{10} \text{FinancialSs}_i + \theta_{11} \text{Health}_i + \theta_{12} \text{Others}_i + \varepsilon_i$$

(Equation 5)

Robustness Checks

The models were checked for regression assumptions. The first check was specification, the omission or inclusion of irrelevant variables and the selection of an incorrect functional form. This check can be seen in the process from Reg 1 to Reg 5 (Tables 8, 9, 10, 11 and 12) from where the preferred model emerged. This process was carried out to test the robustness of the model, to avoid losses in the accuracy of the relevant coefficients' estimates, and to avoid a biased coefficient by estimating a linear function when the relationship between variables was nonlinear (Schroeder, Sjoquist, & Stephan, 1986). Secondly, different measures were put in place to avoid measurement errors, such as back translations and pilot testing of the questionnaire, data collected in similar contexts (as explained above), and the use of reliable sources to obtain second-hand data. Thirdly, t-statistics were adjusted by a heteroskedasticity correction in the regressions (White, 1980)⁶ to test if error terms depend on factors included in the analysis. Finally, autocorrelation was checked by calculating the Durbin-Watson coefficient, and multicollinearity was tested through an analysis of the correlation coefficients between the variables in the model and the calculation of the Variance Inflation Factor (VIF).

^[5] Export intensity (the ratio of sales outside the companies' region of origin, Anhui, to total sales); same reasons to the internal and external barriers apply.

^[6] White proposed to analyse the R^2 of a regression equation that includes the squared residuals from a regression model with the cross-product of the regressors and squared regressors.

RESULTS

Tables 3, 4, 5, 6, and 7 present the correlations matrices for the internal, external, ownership, funding, and industry models respectively. Tables 3 and 4 show the Kendall's τ coefficient as the equi-distance in the Likert scales cannot be justified (Tables 5, 6, and 7 present the Pearson's ρ coefficient). As can be seen, in general, there are no signs of large correlation between the variables; the very few that show a relatively large correlation are, to a certain extent, expected owing to the nature of the variables presented by Leonidou (2004) (Tables 3 and 4) and the apparent closeness of the concepts measured (Tables 5, 6, and 7). The variables were kept in the model as it was considered that, even including the closeness of the concepts, the variables do not depart from their independence mainly owing to the different contexts and purposes of the original data. The Durbin Watson coefficients of the different models do not show autocorrelation⁷ and the Variance Inflation Factors do not present signs of multicollinearity.

[Insert Tables 3, 4, 5, 6, and 7 around here]

The results of running the five models (Equations 1, 2, 3, 4, and 5) can be found in Tables 8, 9, 10, 11, and 12. Each table presents three panels with the results for the three dependent variables, R_i , N_i , and I_i ; within each panel Reg1 shows the results of running the original models (Equations 1 to 5) and then Reg 2, Reg 3, Reg 4, and Reg 5 (where applicable) present the results of running subsequent regressions in the search of the parsimonious versions of the equations. An analysis of the individual tables follows.

[Insert Tables 8, 9, 10, 11, and 12 around here]

Table 8 (internal barriers model): panel A presents the results of running Equation 1 at the regional level, R_i . In this panel (Reg 5) it is possible to see that only *Contacts*, *Design*, and

^[7] Internal: $dr=1.83$; $dn=1.91$; $di=1.77$. External: $dr=1.79$; $dn=1.99$; $di=1.71$. Ownership: $dr=1.68$; $dn=2.01$; $di=1.65$. Funding: $dr=1.64$; $dn=1.98$; $di=1.65$. Industry: $dr=1.86$; $dn=2.03$; $di=1.75$.

Quality are statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). Reg 4 in panel B (Equation 2 at the national level, N_i) shows that *Control*, *Supply*, and *Warehouses* are also statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). Finally, Reg 4 in Panel C (Equation 2 at the international level, I_i) presents that *Skills*, *Finance*, *Design*, and *Labels* are statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). This accepts *H1*.

Table 9 (external barriers model): panel D presents the results of running Equation 2 at the regional level, R_i . In this panel (Reg 4) it is possible to see that no barrier shows statistically significance ($|\beta_m/S_b| > t_{n-3; 0.9}$). Similar to the regional level, Reg 3 in panel E (Equation 2 at the national level, N_i) shows that no barrier is statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). Finally, Reg 3 in Panel F (Equation 1 at the international level, I_i) presents that *Payment*, *Assistance*, *ExchRate*, and *Socio-cultural* are significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). These results reject *H2* at the regional and national level, but accept it at the international level.

Table 10 (ownership model): panels G and H present the results of running Equation 3 at the regional, R_i , and national level, N_i . In these panels (Reg 1) it is possible to see that no ownership type seems to facilitate the international expansion of the SMEs in the sample; the same for the national and international levels (panels H and I respectively). This rejects *H3*.

Table 11 (funding sources model): similar to Table 10, no funding source seems to facilitate the international expansion of the SMEs in the sample (panels J, K, and L for the regional, national, and international levels respectively). These findings reject *H4*.

Table 12 (industry model): panel M presents the results of running Equation 5 at the regional level, R_i . In this panel (Reg 3) it is possible to see that only *ProfessionalSs*, *IT*, *Transportation*, and *Health/Education/Social SS* are significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). Reg 3 in panel N (Equation 3 at the national level, N_i) shows that *Retailer*, *Wholesaler*, and *Real Estate* are also statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). Finally, Reg 1 in Panel O (Equation 3 at the international level, I_i)

presents that only *Manufacture* is statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). This accepts *H5*. A summary of the results can be seen in Figure 2.

[Insert Figure 2 around here]

DISCUSSION

Figure 2 shows a summary of the findings from running Equations 1 to 5. In particular, and related to Equations 1 and 2, in this figure it is possible to see that SMEs from Anhui Province seem to face fewer barriers (around 32% of the total recollected by Leonidou (2004) assuming an equal weighting) to their expansion than their Western counterparts. This finding was not expected as it could be presumed that companies from an emerging country would face more barriers than companies operating in more developed economies. A possible explanation is that the questionnaire used to collect the data did not include those barriers that are specific to China, and therefore further research is necessary to design a better and more complete instrument.

Second, firms in the sample do not appear to perceive *Finance* as a barrier to their regional and national expansions (similar to what was found in China's Ningxia and Jiangsu Provinces' SMEs (Cardoza & Fornes, 2009; Xu, Fornes, & Cardoza, 2009)), a barrier mentioned widely in the literature on Western SMEs. This could be explained by the strong support from the government in terms of ownership and loans from state-owned banks (one of the characteristics of Chinese international firms identified in previous works).

However, SMEs from Anhui in the sample perceive *Finance* as a barrier for their international expansion, this is different from the two studies mentioned above. This may be explained by a lower influence of the Anhui's Government in the Ownership and/or Funding of the SMEs based in this province, as suggested by the results of Equations 3 and 4.

Third, the evidence shows that there are different factors affecting the crossing of the regional and national boundaries (especially the last one to go international, see Figure 2), putting

these amongst the first empirical works to show that different factors apply to regional, national, and international expansion; and supporting Mathews' (2006) idea of leverage of organizational learning. These findings are also in line with the conclusions from previous works (Cai, 1999; Cardoza & Fornes, 2009; Child & Rodrigues, 2005; Fornes & Butt-Philip, 2009; Ge & Ding, 2008; Mathews, 2006; Yamakawa et al., 2008; Zeng & Williamson, 2003; Zhang & Van Den Bulcke, 1996).

Fourth, the results from Equation 3 and 4 suggest that no Ownership or Funding types play a significant role in the SMEs' international expansion. This is different from the works on Ningxia (Cardoza & Fornes, 2009) and Jiangsu (Xu et al., 2009), and therefore not expected. This difference may be linked to the *Finance* barrier at the international level (analysed above) in the sense that the influence from the Government in Anhui may be lower than in the other two provinces. In any case, this shows the need for further research to study the "Linkage" proposed by Mathews (2006), to compare with similar findings from previous works on Chinese companies, and, in particular, to understand the differences with Ningxia and Jiangsu. There is a second point in the difference between the findings from Ningxia and Anhui worth of analysis, the role of JV and/or OEM in the expansion of China's SMEs. Both regions showed statistically significant weak management skills and knowledge-related barriers, but in Ningxia they seem to overcome these barriers via funding support from private sources to cross the national boundaries (private support is usually linked to a transfer of the knowledge and skills needed to operate in international markets) (Cardoza & Fornes, 2009). In this sense, a question worth asking may be how are Anhui's SMEs overcoming these weak management skills and knowledge-related barriers?

A third point of interest from the findings in the two regions, and a possible area of future research, is the difference in the *DomRegulations* barrier, it was statistically significant in Ningxia (Cardoza & Fornes, 2009) but not in this study of Anhui's SMEs. This may be

explained by a different economic and/or institutional development where Anhui may present a more friendly/advanced environment for the development of business than Ningxia.

Also, these results, in particular the fact that state ownership does not seem to play a relevant role in promoting the firms' expansion could be interpreted within the comments from Child and Rodrigues (2005), that Chinese state-owned companies' strategic position "could be weakened by the way they remain beholden to administrative approval and ... a legacy of institutional dependence".

Fifth, the international expansion does not seem to be industry-specific other than *Manufacture* which shows statistical significance (expected due to the nature of Chinese exports), this is similar to the findings in Jiangsu (Xu, Fornes, & Cardoza, 2010). This was unexpected as it was thought that a relation between industry and export activity may exist as it is the case in other South East Asian countries (Chatterjee & Nankervis, 2007).

All in all, an analysis of the results from the first four models tends to suggest that there are many gaps that still need to be filled in the study of Chinese SMEs. A similar analysis, but with a set of country specific barriers (rather than Leonidou's collection from SMEs operating in advanced economies), seems to be necessary to fully grasp the difficulties encountered by SMEs in China. In this sense, some areas for future research, among others, may include the barriers posed by the administrative system and higher logistics costs (Boisot & Meyer, 2008; Ge & Ding, 2008), the role of home country networks in facilitating international venturing (Yiu et al., 2007), and how the institutional environment influences the decision making of Chinese companies in their internationalisation process (Rui & Yip, 2008).

The role of JV or OEMs in the internationalisation process is also an area for future research. Child and Rodrigues (2005) suggested that this is one of the main routes taken by Chinese companies. Ge and Ding (2008) found that this kind of partnership was key in Galanz's expansion, and this work showed that financial support from private sources encourages the

crossing of national boundaries. Further works in this area based on evidence from a large number of companies seem to be necessary to completely understand the impact of foreign companies in the internationalisation process of Chinese SMEs.

SUMMARY AND CONCLUSIONS

This research work, one of the first of a series planned to study the internationalisation of SMEs from emerging markets, analysed the facilitators and barriers to the national and international expansion of SMEs in a middle-income region in China following Mathews' (2006) argument that one of the objects of analysis in the international expansion of companies from emerging markets are the barriers that these firms need to overcome. The data was collected using a questionnaire based on Leonidou's (2004) barriers to the international expansion of SMEs in Europe and North America; the data collected also included information related to the specific characteristics of Chinese companies, mainly ownership types and sources of funding. The industry where the SMEs operate was also included in the analysis. The exploratory study was based on multivariate regressions where the dependent variables were the export intensity (at three levels: regional, national, and international) of 154 SMEs from Anhui Province, and the independent variables were the answers from the questionnaire (internal and external barriers, ownership, funding sources, and industry).

The results of the analysis present a situation where eight internal and four external barriers are hindering the expansion of Anhui's SMEs. Third, the factors can be grouped into three main areas: (i) Knowledge of International Business, including *Socio-Cultural*, *Finance*, *ExchRate*, and *Assistance*; (ii) International Operations and Logistics, including *Supply*, *Warehouses*, *Control*, *PostSale* and *Payment*; and finally (iii) Skills and Internal Capabilities, including *Quality*, *Skills*, and *Design*. Although a slightly different composition from what was found in previous studies on Chinese SMEs (Cardoza & Fornes, 2009; Li, Fornes, &

Cardoza, 2009; Xu et al., 2009), this grouping also shows that the barriers are related mainly to weak management skills and knowledge regardless of the difference between internal and external. These findings suggest that Anhui Province's SMEs share this characteristic with other Chinese international companies as identified by previous works (Fornes & Butt-Philip, 2009; Ge & Ding, 2008; Liu et al., 2008; Nolan, 2001; Rugman & Li, 2007).

The results presented in this work aim to contribute to the literature on the international expansion of companies, especially SMEs from emerging economies and specifically from China. In this context, one of the contributions is that, from what has been found in this work, the existing literature based on Western SMEs does not seem to accommodate adequately the specificity of the Chinese SMEs' outward internationalisation process (a similar conclusion has been reached in previous papers on MNEs (Boisot & Meyer, 2008; Buckley et al., 2007; Child & Rodrigues, 2005; Child & Tse, 2001; Fornes & Butt-Philip, 2009; Rui & Yip, 2008; Yamakawa et al., 2008)). It also provides empirical evidence to support Mathews' (2006) proposal that firms from emerging markets are driven by a push and pull process which leads, first, to overcoming a set of barriers, and, second, to Linkage, Leverage, and Learning (LLL) activities.

The findings presented in this paper are among the first to show that different barriers apply to the different stages in the firms' expansion, an extension of Mathew's (2006) Learning (third L in LLL). This work is also one of the first to provide empirical evidence of the effects of the ownership by the state and its financial support in Chinese SMEs.

On the other hand, there are also contributions for policy makers and SMEs' managers to improve the effectiveness of their policies and decisions. The results show that they need to establish a specialised infrastructure offering value-added information services to act as an active interface between the international market and the local SMEs. In addition, companies, unions, and public and private institutions need to develop management training programmes

in international business, including studies on partnerships, joint ventures, marketing, payment methods, etc. These programmes should aim at filling the skills gap in the professional profile of entrepreneurs and managers.

Finally, and probably one of the most important conclusions of this work on Anhui's SMEs, the results provide evidence to attempt to fill the gaps identified by recent literature on the internationalisation of China's companies. In particular, a work by Yamakawa et al. (2008) suggested that the three main perspectives that have traditionally studied the internationalisation of companies – (i) industry-based view (Porter, 1980), (ii) resource-based view (Barney, 1991; Penrose, 1959), and (iii) institution-based view (Meyer & Peng, 2005; North, 1990; Williamson, 1975) – need to be put together in the context of emerging markets as “none of them is likely to be strong enough to sustain on its own; rather, it is the combination of their insights that lead to a better and more insightful understanding” of this emerging phenomenon (Yamakawa et al., 2008). Buckley et al. (2007) explained this in a different way, the internationalisation of Chinese firms appears to have “both a conventional and an idiosyncratic dimension”.

This combination is what the findings of this paper along with the ones on Ningxia (Cardoza & Fornes, 2009) and Jiangsu (Xu et al., 2009) seem to be showing. The SMEs in the three studies do have a certain degree of international involvement which seems to be driven by a combination of factors: (i) these international activities are not industry-specific as no relation was found between the industries where the companies operate and their international involvement, (ii) the fact that SMEs in Ningxia, Jiangsu, and Anhui reported weak management skills and lack of international business knowledge raises questions over the strengths of their internal resources and capabilities, and (iii) the role played by the institutions is not clear, it may be negative (as suggested by Child & Rodriguez (2005)) or it could be a “cognitive effect” (very pragmatic and the result of balanced efforts between

markets and government intervention as proposed by Santiso (2005a, 2005b)); the fact that *Finance* does not seem to be a factor affecting these companies' international expansion may be a back-door way to explain their role.

To conclude, and more broadly, the national and international expansion of emerging countries' SMEs presents interesting routes for developing the IB agenda. In this sense, Buckley (2002) suggested that one of the potential areas for IB research in the future is the identification of trends towards and away from globalisation, to which Peng (2004) added that future studies need to have a focus on the factors affecting the success and failure of firms in international markets. From what this article has presented, it is possible to argue that the combination of external factors, internal factors, and ownership/funding types, and how this combination has an impact on the internationalisation process of Chinese firms, are all affecting globalisation, and as a consequence, the internationalisation of firms in ways which have yet to be understood.

TABLE 1: DEFINITION OF SMALL AND MEDIUM-SIZED ENTERPRISES

	Employees	Sales	Total Assets
Industry	2,000	3,000	4,000
Construction	3,000	3,000	4,000
Wholesale	200	3,000	
Retail	500	1,000	
Transportation	3,000	3,000	
Postal Service	1,000	3,000	
Accommodation & Restaurant	800	3,000	

Source: (National Bureau of Statistics of China, 2007)

TABLE 2: SELECTED ANSWERS FROM THE SURVEY (n=170)

Age of respondent		Gender of respondent		Studies of respondent		State-owned	Active Participation of family members			Funding sources in the last two years				% of SMEs with sales in different markets				
35-44	45-54	M	F	UG	PG		Sons	Husband / wife	Father/ mother	Loans from banks	Own savings	Previous years' profits	Private investors	76-100% Domestic	76-100% Regional	76-100% National	26-75% RoW	76-100% RoW
34%	31%	79%	21%	66%	8%	11%	8%	32%	17%	67%	32%	32%	34%	17%	6%	14%	15%	15%

Profits during last year					Main Activity*												Years since start-up	
Decreased	Slightly decreased	Kept at same level	Slightly increased	Increased	Manufacture	Hotel / Restaurant	Retail	Wholesale	Prof. Services	IT	Construction	Transport	Real estate	Finance / insurance	Health / Education	Others	6-10	>10
8%	16%	19%	32%	25%	41%	5%	9%	13%	10%	5%	6%	5%	5%	2%	5%	19%	24%	32%

*: total may not equal 100% as some SMEs reported more than one activity, like retail and wholesale for example.

FIGURE 1: DEFINITION OF VARIABLES (SCALE VARIABLES USING A 5-POINT LIKERT-TYPE SCALE)

Internal Barriers		External Barriers	
InfoSources	The company does not have access to the relevant information sources to identify external markets for the company's products and services	Paperwork	It is considered that the paperwork related to exports is complicated and costly
Data	The company does not have the relevant data to assess the possibilities that the international markets are offering	Communication	Communication difficulties affect the normal development of business abroad
Contacts	The company has difficulties to identify and contact potential customers in markets overseas	Payment	Payment collections make export activities more difficult
Time	The daily management of the company does not give enough time to think about exports	Assistance	The government does not offer adequate assistance and incentives to carry out export activities
Skills	There are no persons in the company with the right skills to manage export-related activities	DomRegulations	The regulations in place make it more difficult to capitalise on opportunities in international markets
Facilities	Limited production facilities do not allow the company to consider exports	Preferences	The different preferences, patterns, prices, and communication of customers in international markets make exports more difficult
Finance	The company does not have access to the necessary financial resources to fund an export-oriented plan	Competitiveness	The target international markets are perceived as highly competitive
Product	The current product portfolio is not adequate to serve the identified international markets	EconEnvironment	The deterioration of the countries' economic environment is an additional barrier to exports
Design	The design of the firm's products is not adjusted to the needs and tastes of customers in markets overseas	ExchRate	Exchange rate variations represent an important risk for the company's exports
Quality	The products' quality standards do not meet the needs of customers in international markets	PolInstability	The political instability in external markets is seen as a barrier to exports
Labels	The products' labels and packaging do not meet the requirements of the target markets	HostRegulations	The different regulations in external markets make access and operations more difficult
PostSale	The company does not have the means to offer an adequate post-sale service to its customers overseas	Tariff & NTB	The tariff and non-tariff barriers in international markets restrict export activities
Price	The retail price of the company's products are not adequate for the final consumers in international markets	Familiarity	The lack of familiarity with commercial practices abroad affect the company's operations
CompPrice	The company finds it difficult to meet the competitors' prices in the targeted international markets	Socio-cultural	The socio-cultural differences (religion, values, customs, attitudes, etc.) are considered obstacles to export activities
Credit	It is difficult for the company to give credit to customers in international markets	Verbal	The differences in verbal and non-verbal language affect the activities carried out in external markets
Distribution	The company finds the distribution channels complex to serve international markets		
DistAccess	It is complex and costly to access the distribution channels to export the company's products		
Representatives	It is difficult to find reliable representatives abroad		
Control	It is difficult to exercise effective control over the middlemen in international markets		
Supply	The company finds many difficulties in adequately supplying international markets		
Warehouses	The countries to which the company exports do not have adequate warehouse facilities		
Transport	The company considers that the transport and insurance costs related to exports are excessive		
Promotion	It is difficult to adjust the promotional activities to international markets		

TABLE 3: CORRELATION MATRIX FOR THE INTERNAL BARRIERS MODEL - KENDALL'S τ COEFFICIENT

	Info Sources	Data	Contacts	Time	Skills	Facilities	Finance	Product	Design	Quality	Labels	PostSale	Price	CompPrice	Credit	Distribution	DistAccess	Representative	Control	Supply	Warehouses	Transport	Promotion				
	1.000																										
		1.000																							1.197		
			1.000																							1.903	
				1.000																							1.800
					1.000																						2.490
						1.000																					1.863
							1.000																				3.081
								1.000																			1.396
									1.000																		1.482
										1.000																	1.917
											1.000																2.338
												1.000															1.906
													1.000														1.821
														1.000													1.818
															1.000												1.790
																1.000											2.163
																	1.000										2.583
																		1.000									2.163
																			1.000								2.394
																				1.000							1.887
																					1.000						1.743
																						1.000					1.857
																							1.000				1.594
																								1.000			1.501

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

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

TABLE 4: CORRELATION MATRIX FOR THE EXTERNAL BARRIERS MODEL - KENDALL'S τ COEFFICIENT

<i>Paperwork</i>	1.000																			1.529
<i>Communication</i>	.486**	1.000																		2.295
<i>Payment</i>	.326**	.594**	1.000																	2.136
<i>Assistance</i>	.156*	.093	.141*	1.000																1.262
<i>DomRegulations</i>	.161*	.241**	.322**	.033	1.000															1.295
<i>Preferences</i>	.358**	.176*	.252**	.117	.263**	1.000														1.989
<i>Competitiveness</i>	.143*	.078	.121	.131	.143*	.466**	1.000													1.631
<i>EconEnvironment</i>	.226**	.166*	.064	.163*	.059	.329**	.310**	1.000												1.743
<i>ExchRate</i>	.179*	.112	.167*	.251**	-.007	.278**	.400**	.434**	1.000											1.852
<i>PolInstability</i>	.110	.132	.180*	.230**	.088	.289**	.264**	.470**	.373**	1.000										1.666
<i>HostRegulations</i>	.230**	.176*	.218**	.156*	.134	.432**	.444**	.309**	.449**	.350**	1.000									2.058
<i>Tariff&NTB</i>	.300**	.087	.210**	.106	.113	.491**	.261**	.218**	.282**	.325**	.545**	1.000								1.860
<i>Familiarity</i>	.262**	.218**	.186**	-.069	.214**	.261**	.155*	.172*	.095	.242**	.279**	.208**	1.000							1.357
<i>Socio-cultural</i>	.316**	.314**	.348**	.149*	.274**	.379**	.286**	.185*	.231**	.348**	.385**	.289**	.382**	1.000						2.023
<i>Verbal</i>	.290**	.359**	.357**	.207**	.347**	.279**	.091	.055	-.032	.220**	.192**	.243**	.327**	.554**	1.000					2.272

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

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

TABLE 5: CORRELATION MATRIX FOR THE OWNERSHIP MODEL – PEARSON’S ρ COEFFICIENT

<i>Family</i>	1.000				3.778
<i>Other partners</i>	-.445**	1.000			2.089
<i>Financial institutions</i>	-.407**	-0.108	1.000		1.888
<i>State</i>	-.527**	-0.063	-0.029	1.000	2.251

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

TABLE 6: CORRELATION MATRIX FOR THE FUNDING SOURCES MODEL – PEARSON’S ρ COEFFICIENT

<i>Personal</i>	1.000		1.008
<i>State support</i>	0.067	1.000	1.021
<i>Private</i>	0.071	0.133	1.000

TABLE 7: CORRELATION MATRIX FOR THE INDUSTRY MODEL – PEARSON’S ρ COEFFICIENT

	Manufacture	Hotel/Rest	Retailer	Wholesaler	ProfessionalSs	IT	Construction	Transportation	Realestate	Finance/insurance	Health/Education/SocialSS	Others
<i>Manufacture</i>	1.000											1.400
<i>Hotel/Rest</i>	-.172*	1.000										1.096
<i>Retailer</i>	-.133	-.064	1.000									1.778
<i>Wholesaler</i>	-.186*	-.080	.598**	1.000								1.719
<i>ProfessionalSs</i>	-.175*	-.071	.321**	.102	1.000							1.278
<i>IT</i>	-.060	-.044	.039	.004	-.077	1.000						1.047
<i>Construction</i>	-.118	-.053	.008	-.028	-.009	-.058	1.000					1.076
<i>Transportation</i>	-.200*	.104	-.074	-.093	-.082	-.051	-.062	1.000				1.134
<i>Realestate</i>	-.172*	-.041	-.064	-.080	-.071	-.044	-.053	-.047	1.000			1.119
<i>Finance/insurance</i>	-.098	-.023	-.036	-.046	.143	-.025	-.030	-.027	-.023	1.000		1.047
<i>Health/Education/SocialSS</i>	-.141	-.047	.028	-.008	-.082	.089	-.062	-.055	-.047	-.027	1.000	1.092
<i>Others</i>	.a	.a	.a	.a	.a	.a	.a	.a	.a	.a	.a	1.000

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

a. Cannot be computed because at least one of the variables is constant.

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

TABLE 8: RESULTS FROM A REGRESSION – INTERNAL BARRIERS MODEL

Internal Barriers																											
Panel A: dependent variable R _i										Panel B: dependent variable N _i								Panel C: dependent variable I _i									
	Reg 1		Reg 2		Reg 3		Reg 4		Reg 5		Reg 1		Reg 2		Reg 3		Reg 4		Reg 1		Reg 2		Reg 3		Reg 4		
	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	
a	0.35	2.08	0.31	2.39	0.40	3.49	0.32	3.75	0.29	3.54	0.49	2.17	0.47	2.42	0.50	2.84	0.49	4.16	0.45	2.06	0.39	2.58	0.58	4.99	0.53	5.38	
InfoSources	0.01	0.24									0.02	0.34							-0.07	-1.57	-0.07	-1.57					
Data	0.03	1.10	0.04	1.53	0.03	1.19					-0.04	-0.95							-0.01	-0.30							
Contacts	-0.07	-2.11	-0.07	-2.73	-0.06	-2.24	-0.06	-2.66	-0.06	-2.76	0.06	1.42	0.05	1.30	0.04	1.21			0.05	1.20	0.04	1.25					
Time	0.01	0.46									-0.04	-1.14	-0.05	-1.49	-0.05	-1.59			0.00	-0.03							
Skills	0.03	1.05	0.03	1.16	0.03	1.17					-0.02	-0.58							-0.07	-1.79	-0.06	-2.08	0.09	-2.35	-0.07	-2.38	
Facilities	-0.01	-0.16									0.01	0.25							0.00	0.06							
Finance	-0.03	-1.13	-0.04	-1.46	-0.03	-1.24					0.02	0.62							0.08	2.40	0.08	2.68		3.06	0.09	2.97	
Product	-0.02	-0.68									-0.05	-1.49	-0.05	-1.49	-0.04	-1.28			0.02	0.73							
Design	0.08	2.51	0.07	2.49	0.07	2.74	0.08	3.11	0.08	2.92	-0.04	-1.08	-0.05	-1.28	-0.04	-1.16			-0.06	-1.48	-0.06	-1.78	-0.06	-1.71	-0.06	-1.78	
Quality	-0.07	-1.95	-0.06	-2.12	-0.06	-2.02	-0.05	-1.66	-0.06	-2.17	0.04	0.75							-0.03	-0.61							
Labels	-0.02	-0.39									-0.05	-1.00	-0.03	-0.59					-0.02	-0.42							
PostSale	-0.01	-0.25									0.04	1.12	0.04	0.97					-0.06	-1.56	-0.06	-2.04	-0.08	-2.49	-0.08	-2.40	
Price	-0.04	-1.38	-0.05	-1.72	-0.05	-1.71	-0.03	-1.21			0.06	1.36	0.05	1.45	0.06	1.62			0.03	0.68							
CompPrice	0.00	0.17									0.05	1.16	0.04	1.10	0.04	1.04			-0.01	-0.34							
Credit	-0.03	-1.19	-0.04	-1.67	-0.03	-1.27					-0.06	-1.61	-0.04	-1.31	-0.04	-1.30			-0.02	-0.46							
Distribution	-0.01	-0.36									0.00	0.00							0.04	1.02	0.04	1.41					
DistAccess	0.02	0.51									-0.07	-1.47	-0.06	-1.57	-0.06	-1.58			0.00	-0.04							
Representatives	-0.03	-0.87									0.05	1.22	0.06	1.37	0.06	1.41			-0.01	-0.21							
Control	0.04	1.08	0.02	0.74							-0.06	-1.32	-0.07	-1.44	-0.08	-1.66	-0.06	-1.68	0.02	0.44							
Supply	-0.02	-0.59									0.06	1.65	0.07	2.10	0.07	2.02	0.06	1.74	0.00	0.09							
Warehouses	0.03	1.11	0.02	0.95							-0.07	-1.81	-0.07	-1.89	-0.07	-1.83	-0.07	-2.06	0.05	1.25	0.04	1.40					
Transport	0.03	1.01	0.03	0.98							0.01	0.20							-0.06	-1.56	-0.06	-1.81	-0.02	-0.77			
Promotion	-0.01	-0.46									0.05	1.46	0.05	1.52	0.05	1.52			-0.01	-0.28							
R ²	0.20		0.18		0.16		0.11		0.10		0.17		0.15		0.15		0.05		0.26		0.24		0.18		0.18		

TABLE 9: RESULTS FROM A REGRESSION – EXTERNAL BARRIERS MODEL

External Barriers																				
	Panel D: dependent variable R _i								Panel E: dependent variable N _i						Panel F: dependent variable I _i					
	Reg 1		Reg 2		Reg 3		Reg 4		Reg 1		Reg 2		Reg 3		Reg 1		Reg 2		Reg 3	
	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>
a	0.12	1.01	0.10	1.07	0.19	2.56	0.11	1.74	0.24	1.58	0.32	2.84	0.15	1.89	0.43	2.79	0.35	2.72	0.37	3.20
Paperwork	-0.01	-0.24							-0.04	-1.05	-0.02	-0.62			0.00	-0.02				
Communication	-0.05	-1.46	-0.05	-1.73	-0.05	-1.61			0.03	0.78					0.04	1.01	0.04	1.11		
Payment	0.07	2.27	0.07	2.41	0.08	2.54	0.03	1.51	0.01	0.32					-0.07	-1.59	-0.08	-1.97	-0.05	-1.66
Assistance	0.03	1.16	0.03	1.21					0.01	0.40					-0.07	-2.15	-0.08	-2.50	-0.08	-2.54
DomRegulations	-0.01	-0.52							0.03	0.95					-0.03	-0.95				
Preferences	0.03	0.71							-0.06	-1.10	-0.05	-1.12			0.07	1.37	0.06	1.21		
Competitiveness	-0.02	-0.50							0.02	0.32					-0.03	-0.53				
EconEnvironment															0.02	0.32				
ExchRate															-0.09	-1.78	-0.08	-1.95	-0.08	-2.14
PolInstability															0.00	0.00				
HostRegulations	0.00	0.07							-0.06	-0.96					0.00	-0.07				
Tariff&NTB	0.00	-0.02							0.13	2.51	0.10	2.27	0.06	1.58	-0.06	-1.11	-0.06	-1.35		
Familiarity	0.04	1.44	0.04	1.54					-0.04	-1.05	-0.04	-1.18			0.00	-0.02				
Socio-cultural	-0.05	-1.43	-0.05	-1.75	-0.04	-1.22			-0.01	-0.13					0.15	3.02	0.13	3.24	0.14	3.80
Verbal	0.00	-0.03							-0.02	-0.42					-0.02	-0.50				
R ²	0.07		0.07		0.05		0.01		0.07		0.05		0.02		0.18		0.17		0.15	

TABLE 10: RESULTS FROM A REGRESSION – OWNERSHIP MODEL

	Panel G: dependent variable R_i		Panel H: dependent variable N_i		Panel I: dependent variable I_i	
	Reg 1		Reg 1		Reg 1	
	β	t	β	t	β	t
a	0.37	3.20	0.17	1.12	0.24	1.50
Family	-0.19	-1.57	0.10	0.63	0.02	0.11
SpecialPartnerships	-0.16	-1.12	0.10	0.51	0.03	0.13
FinancialInstitutions	-0.22	-1.36	0.12	0.54	-0.21	-0.98
State	-0.19	-1.27	0.22	1.12	-0.02	-0.08
R^2	0.02		0.01		0.01	

TABLE 11: RESULTS FROM A REGRESSION – FUNDING SOURCES MODEL

	Panel J: dependent variable R_i						Panel K: dependent variable N_i		Panel L: dependent variable I_i	
	Reg 1		Reg 2		Reg 3		Reg 1		Reg 1	
	β	t	β	t	β	t	β	t	β	t
a	0.18	3.80	0.19	4.61	0.23	7.35	0.21	3.40	0.27	4.29
Personal	-0.05	-1.73	-0.04	-1.71	-0.04	-1.61	0.04	1.08	-0.04	-1.20
State	0.01	0.43					0.02	0.48	0.02	0.56
Private	0.03	1.29	0.03	1.36			0.01	0.42	-0.02	-0.59
R^2	0.03		0.03		0.02		0.01		0.01	

TABLE 12: RESULTS FROM A REGRESSION – INDUSTRY MODEL

	Panel M: dependent variable R_i						Panel N: dependent variable N_i						Panel O: dependent variable I_i							
	Reg 1		Reg 2		Reg 3		Reg 1		Reg 2		Reg 3		Reg 1		Reg 2		Reg 3		Reg 4	
	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t
a	0.15	3.50	0.13	5.47	0.14	5.84	0.28	4.73	0.29	9.04	0.28	9.01	0.24	3.99	0.21	4.53	0.15	3.86	0.16	4.33
Manufacture	-0.04	-0.73					0.00	0.06					0.11	1.60	0.14	2.23	0.18	3.03	0.17	2.96
Hotel/Rest	0.15	1.33	0.17	1.54			-0.17	-1.08	-0.16	-1.12			-0.22	-1.43	-0.21	-1.38				
Retailer	-0.07	-0.74					-0.22	-1.69	-0.22	-1.78	-0.21	-1.76	0.22	1.62	0.22	1.65	0.08	0.79		
Wholesaler	0.04	0.46					0.19	1.75	0.18	1.78	0.19	1.84	-0.17	-1.54	-0.15	-1.41				
Professional Ss	0.18	2.41	0.17	2.58	0.17	2.47	0.02	0.20					-0.14	-1.32	-0.13	-1.26				
IT	0.27	2.57	0.27	2.66	0.26	2.59	-0.11	-0.77					-0.19	-1.36	-0.19	-1.35				
Construction	0.04	0.45					0.03	0.21					0.09	0.71						
Transportation	0.17	1.69	0.19	1.98	0.20	2.12	0.09	0.63					-0.08	-0.60						
Real estate	-0.03	-0.24					-0.28	-1.78	-0.29	-1.97	-0.28	-1.92	-0.15	-0.97						
Finance/insurance	-0.12	-0.62					-0.04	-0.15					-0.17	-0.64						
Health/Education/Social SS	0.17	1.67	0.18	1.85	0.17	1.77	0.08	0.61					-0.08	-0.56						
Others	0.00	0.00					0.00	0.00					0.00	0.00						
R^2	0.13		0.12		0.11		0.07		0.06		0.05		0.11		0.09		0.06		0.05	

FIGURE 2: SUMMARY OF THE RESULTS

Internal Barriers (Equation 1)			External Barriers (Equation 2)		
Regional	National	International	Regional	National	International
Quality	Control Supply Warehouses	Skills Finance Design PostSale			Payment Assistance ExchRate Socio-Cultural
Ownership (Equation 3)			Funding (Equation 4)		
Regional	National	International	Regional	National	International
Industry (Equation 5)					
Regional	National	International			
ProfessionalSs IT Transportation Health/Education	Retailer Wholesaler Real Estate	Manufacture			

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