FACTORS INFLUENCING SMEs’ EXPORT PERFORMANCE

----A Case Study of Chinese SMEs

Master’s Dissertation in International Marketing, 15 credits

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Acknowledgements

We would like to sincerely thank the persons and the organization that has enabled us to complete this thesis.

Thanks to our supervisor, Gabriel Baffour Awuah, who guided us through the process, gave us challenging comments, kept us down to earth, inspired us and improved our ability to explore the issues deeper.

Moreover, this thesis can not get this conclusion without the participation of Company B. We really appreciate that you were willing to give us some time from your busy schedule, and so patient to us during the whole process.

We would like to thank our families. Thanks to your patience, moral and financial support. You always gave us the strength to move forward. Without this, we can not finish this thesis smoothly.

Last but not least, we would like to say thanks to each other for the great teamwork last months, for all the discussions and corporations we had during the whole process. These all contribute to the final thesis, from our viewpoints, with a good result.

We would like to appreciate all the individuals who in some way have contributed to the outcome of this thesis. Thank you all.

Halmstad University, Halmstad, May, 2010
Hao Hu and Chenke Xu
Abstract

Small and medium-sized enterprises play much more important roles in both domestic and international markets nowadays. The issue that factors influence their export performance (mainly the export sales and profits) also becomes much more attractive these years. The purpose of this thesis is to investigate the factors which influence the SMEs’ export performance and how each factor influences the SMEs’ export performance. This study is built on a modified model of the factors influencing the SMEs’ export performance. The authors use case study to conduct this research, and one company’s (Company B’s) data is collected through the semi-structured interview. Some findings are obtained: the important factors which influence Company B’s export performance contain the trade shows, the expenses on getting the authentication, capital sources, export rebate, firm network, firm previous experience, firm competencies, personal network, international orientation and personal previous experience. In addition, the authors also find the effect of firm size is indirect. However, customs duty, transportation, as well as building up the brand do not play important impacts on export performance. Take the trade shows as an example, personal cards and product samples are sent to the customers, then the customers who are interested in the products will contact Company B. In this way, the customers are accumulated and the export sales increase. Thus, the export performance is enhanced.

Key Words: Export performance; Small-and medium-sized enterprises; Factors
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1 Introduction

1.1 Background

Nowadays, small and medium-sized enterprises (SMEs)\(^1\) play a vital role in the national economies of countries (Karpak and Topcu, 2010). Meanwhile, advances in information technology and globalization are leading to SMEs that are more active in international markets than ever before (Knight, 2001). Considering that a large number of SMEs expand from domestic markets to foreign countries, there is an increasing interest in the research field of the internationalization of SMEs (Andersson, 2000; Holmlund and Kock, 1998). These can all explain attention to SMEs internationalization and performance (Lee and Marvel, 2009).

The research of SMEs internationalization and performance is mainly on the developed countries (Singh, 2009). Only a few studies exist in export behavior in developing countries (Borgersen, 2006). While in many developing economies, with an increase in competition in the domestic markets, firms, especially SMEs, continue to rely on exports to foreign markets. There has been a renewed interest on the importance of exporting for international business researchers with an interest in developing countries (Peng and York, 2001; Trabold, 2002). The research on the SMEs export performance in developing countries increased these years.

When it comes to measures of export performance, there is still no agreement on how to measure export performance, though several broad approaches have been advocated (e.g. Cavusgil and Zou, 1994; Schlegelmilch and Ross, 1987). After analyzing the study from 1987-1997, Zou and Stan (1998) pointed out all measures of export performance are grouped into seven categories which are sales, profit, growth, success, satisfaction, goal achievement and composites scales. These seven categories represent financial, nonfinancial and composite scales. Sales and Profit are included in the financial measures. Success, Satisfaction and Goal achievement are the measures which belong to the nonfinancial measures. Composite scales refer to measures that are based on overall scores of a variety of performance measures. Among the seven categories, export sales, profits, and composite scales are probably the most frequently used measures of export performance (Zou and Stan, 1998). In this article, export sales and profits are the measures of export performance.

Although the importance of SMEs’ exporting can be understood, the impediments that the SMEs face to engage successfully in this wealth generating activity should also be emphasized and clarified. Researching the factors influencing the export performance becomes an important issue.

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\(^1\) European Union’s current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those with fewer than 250 as "medium" (SME definition, 2010).
1.2 Research Question

What and how do different factors influence the SMEs’ export performance?

1.3 Research Purpose

As the resource constraints of SMEs and their susceptibility to distress, hardship and outright failure, a better understanding of the contributing factors for higher performance is desirable (Lee and Marvel, 2009). The purpose of this thesis is to investigate the factors which influence the SMEs’ export performance and how each factor influences SMEs’ export performance.

1.4 Delimitation

Certain delimitation evident in this study should be taken into account: This study is only concentrating on Chinese SMEs, with one Chinese company analyzed as the case. This is because China, the biggest developing country, has experienced a huge increase in export over the last several years. Meanwhile, SMEs in China have strong motivation on exporting. In addition, there are a few researches about Chinese SMEs. The factors influencing Chinese SMEs’ export performance are not clear. This study will focus on Chinese SMEs, analyzing the factors which affect the Export Performance.
2 Literature Review

2.1 Factors Research

The factors influencing SMEs’ export performance can be divided into the micro level and macro level. At the micro level, scholars have focused on establishing a link between different firm level characteristics, such as firm size, technological capabilities, and managerial motivation to export performance (Andersen and Kheam, 1998; Pla-Barber and Alegre, 2007; Wilkinson and Brouthers, 2006; Zou and Stan, 1998). At the macro level, some of the issues investigated include export competitiveness of nations, magnitude and direction of trade flows between nations and how public policy affects exporting activities in specific sectors and industries (Deeksha, 2009).

The literature reports correlates of export performance that are both internal and external to SMEs. The former factors include marketing strategy, organizational structure, managerial experience, and resource availability (Barney, 1991; Christensen et al., 1987; Culpan, 1989; Da Rocha and Christensen, 1994; Dichtl et al., 1990; Katsikeas et al., 2000). External variables such as industry competitiveness, business environment, or product characteristics are also linked to export performance (Bain, 1951; Cavusgil and Zou, 1994; Cavusgil et al., 1993; Leonidou et al., 2002).

2.2 Countries Research

More recent studies (Sharma, 2004; Cerrato, 2007) have suggested that SMEs internationalization may be influenced by location and thus calling for more research on the study of internationalization from different national environments. The earlier research in this part is reviewed from the perspectives of developed countries and developing countries.

2.2.1 Developed Countries

After analyzing the previous research about the SMEs, it can be found that majority of the work was based on firms from developed economies (Singh, 2009). Similarly, in Zou and Stan (1998) review of 10 years of export research, they found that more than 90% of the studies were conducted on firms based in developed economies.

It can be seen, from the reviewing of the research on SMEs in developed countries, that several research have been done in different countries: America, Canada, United Kingdom, Norway, Finland, Italy, Czech, Australia, Singapore.
The researches of American SMEs’ export performance are more than the researches of other countries. Some researches focus on factors. In Wilkinson and Brouthers’ paper (2006), the authors investigate the impact of US state-sponsored export promotion activities on the international marketing efforts of SMEs. They find that, the use of trade shows and programs contribute positively to SME satisfaction with export performance (Wilkinson and Brouthers, 2006). Some researches focus on certain product field. Parhizkar and the other two authors (2010) analyze variables associated with export performance of forest products. Their study points out that in the exportation of American forest products, examining proper method selection, logistical considerations, and the relationship with distribution partners are linked to sales growth in comparative markets (Parhizkar et. al., 2010).

When it comes to the research on Canada, Rutihind (2008) explores the factors influencing the internationalization of SMEs located in Quebec, Canada. Four major factors are used to explain the internationalization, which are owner manager’s international orientation, globalization of the firm’s industry structure, established international networks and foreign market potential. The authors found successful firms were found to have owner managers with an international orientation and established international networks (Rutihinda, 2008).

Higón and Driffield (2010) analyze the determinants of the export propensity of UK SMEs. Particular emphasis is placed upon the relationship between innovation activities (distinguishing product innovation from process innovation) and export performance. The authors found that the two types of innovation both impact positively on the decision to export, and there is no evidence that process innovation increases the probability to export beyond product innovation (Higón and Driffield, 2010).

There are also some researches in the developed countries in Europe. In Haahti’s article in 2005, knowledge intensity and export performance is developed and tested using a sample of SMEs from Finland and Norway. The empirical results suggest that knowledge intensity mediates the relationship between cooperative strategy and export performance. Firm size did not show a direct impact on performance, but its indirect effect on export performance through cooperative strategy and knowledge intensity was significant (Haahti et. al., 2005).

There are also researches in Austria. Baldauf had done a research in Austria in order to examine decision-makers' experiences impacting on export performance. The authors’ findings reveal that in addition to firm size, the most promising predictors of export performance are management's motives to internationalize (Baldauf et. al., 2000).

In Majocchi’s article in 2005, the research country is Italy. The objective of the paper is to test the effect of business experience on Italian SMEs’ export performance. Their
findings show that business experience as well as the relative change in experience impact upon export performance (Majocchi et. al., 2005).

Czech, as one new developed country, also attracts the researchers’ attention. Musteen and the other two authors (2010) examined the relationship between the international network of SMEs’ managers and the export performance. The findings indicate that firms sharing a common language with their international ties are able to internationalize faster than firms that do not share a common language. Moreover, the authors observe that geographically diverse networks contribute to superior performance (Musteen et. al., 2010).

When it comes to the research of the developed countries in Asia, there are some researches of Singapore. As to the research of Singapore, Keh and other two authors (2007) investigate the effects of entrepreneurial orientation and marketing information on the performance of SMEs in Singapore. The results indicate that entrepreneurial orientation plays an influential role on the acquisition and utilization of marketing information, and also has a direct effect on firm performance (Keh et. al., 2007).

2.2.2 Developing Countries

The research reviewed in this part focus on the developing countries, here the research of India, Turkey and Chile will be indicated.

India is one of the fast growing developing countries. Sharma (2003) investigates the determinants of India’s export performance from the perspective of external factors. Export supply is positively related to the domestic relative price of exports while the higher domestic demand reduces export supply. Foreign investment appears to have no significant impact on export performance (Sharma, 2003).

Karpak and Topcu (2010) prioritize the measures of success and the antecedents for Turkish SMEs. They find that influence of the entrepreneur turned out to have far less impact on success than some of the external factors such as policies and intensity of competition. Sales were the most significant measure of success in line with the literature on SMEs (Karpak and Topcu, 2010).

Alvarez (2004) did a research of Chile, analyzing differences in Chilean SMEs’ exporter performance. The results suggest that greater effort in international business, process innovation and the utilization of export promotion programs contribute positively to export performance in SMEs. In addition, the authors found that trade shows do not affect the probability of exporting permanently, but exporter committee shows a positive and significant impact on export performance (Alvarez et. al., 2004).

While after researching these articles, the authors found that the previous research focus on some developed countries and some developing countries in Asia and South
America, however, there are few researches focusing on SMEs in China. This thesis aims to fill in this gap by exploring the factors influencing the export performance of SMEs in China. Moreover, in previous studies, each article only emphasizes two or three factors. However, export performance can be affected by so many factors. This thesis researches the factors in a wider range compared with the previous studies. In addition, some of the previous articles focus on the relationships of different factors or the priority of the factors. However, few researches study how each factor influences the SMEs’ export performance. Overall, this thesis will study the SMEs in China, and different factors in a wide range will be analyzed. Furthermore, how each factor influences the SMEs’ export performance will be explored.

3 Conceptual Framework

Borrowing from the view of Ibeh (2003), and entry costs view, three categories of factors based on research on export behavior at the firm-level have been identified that influence export performances, namely external environmentally related factors, organization or firm-specific factors, and decision-maker factors (Borgersen, 2006).

![Figure 1 Factors influencing export performance (Borgersen, 2006, p.113).](image)

This model (see Figure 1) contains the different perspectives in the previous research. However, the three categories in the model (see Figure 1) are not specific enough. After researching the previous studies, more detailed factors including in each category were found and summarized. As to external environment, the related factors that influence export performance can take a number of forms. The market entry costs are themselves part of the external environment (Borgersen, 2006). Another two important external elements are the SMEs’ capital sources, as well as the institutional
support (Bain, 1951; Cavusgil and Zou, 1994; Cavusgil et al., 1993; Leonidou et al., 2002; Wilkinson and Brouthers, 2006; Parhizkar et. al., 2010; Calantone et. al., 2006; Sharma, 2003; Karpak and Topcu, 2010; Alvarez et. al., 2004). When it comes to the internal elements that are identified, a number of factors both related to firm characteristics and firm competencies matter, such as firm size, firm competencies, firm previous experience of internationalization and firm network (Zou and Stan, 1998; Borgersen, 2006; Parhizkar et. al., 2010; Higón and Driffield, 2010; Majocchi et. al., 2005; Musteen et. al., 2010; Calantone et. al., 2006; Alvarez et. al., 2004). Finally, decision-maker factors are viewed as a factor relating to the characteristics of SMEs which contain the international orientation, personal contact networks and personal previous experience of extra-regional expansion (Borgersen, 2006; Keh et. al., 2007; Rutihinda, 2008; Baldauf et. al., 2000).

Based on the theories on external environment factors, firm-specific factors and decision-maker factors, a new model (See Figure 2) is developed from Borgersen’s model (2006) to elaborate the detailed factors, and to deal with the analysis of empirical data. The Figure 1, which was showed in the previous paragraph, is amended and modified, and combined with deeper understanding about the topic, which we have gained during the process of writing (See Figure 2). Each circle in Figure 2 stands for a specific factor.
3.1 External Environment

3.1.1 Entry Costs

The entry costs can be both formal and informal. The customs duty is one example of formal factors which affect entry costs, and one factor that can influence export performance (Borgersen, 2006).
Furthermore, the product upgrading such as the issues to achieve health safety environment standard of the WTO negotiation and target market rules is also a part of entry costs (Borgersen, 2006).

In addition, old problems related to weak export performance, as lack of ports and other transport facilities still hamper trade as an exogenous entry cost for developing countries’ firms (Roberts and Tybout, 1997). Transportation factors including transportation cost, availability of a good freight forwarder, documentation process, access to international shipping, and knowledge about exporting were ranked most important among all the factors for exporting (Parhizkar et al., 2010).

However, the informal market entry costs may be particularly important for SMEs. The SMEs' limited capacity to acquire information is a major factor explaining their low level of involvement and performance on export markets (Julien and Ramangalahy, 2003). Information is becoming a crucial resource in the knowledge economy and global market for SMEs (Ibid). Trade shows are the way of getting market information, through trade shows, representatives of companies can gain customers and disseminate information (Bonomo, 1983; Seringhaus and Rosson, 1991). Export managers view trade shows as an effective means of obtaining knowledge about foreign markets (Ramaswami and Yang, 1990; Seringhaus and Rosson, 1998; Denis and Depelteau, 1985; Reid, 1985), export sales (Rosson and Seringhaus, 1995; Seringhaus and Rosson, 1989), and increased profits (Gopalakrishna et al., 1995).

While as to different countries, the extents of SMEs’ business environment are different. Borgersen (2006) viewed that weak business environment increases the costs. If the companies are in the compared weak competition environment, the entry costs will be higher.

In addition, when SMEs enter into different international markets, the costs of advertising, building up the brand developments in the local markets are also a part of informal entry costs (Borgersen, 2006).

3.1.2 Capital Sources

Ling-yee and Ogunmokun (2001) identified that export financing resources is the key factor for superior export performance (Parhizkar et al., 2010). Weak links to financial intermediaries hamper both entry and operating decisions, and make it difficult for SMEs from developing countries to acquire the gains of international markets (Borgersen, 2006). Limited capital sources restrict the assessment and formulation of changes that are necessary for making functional adjustments (Patel and D’Souza, 2009).

Export financing resource refers to a specific kind of firm resource that enables
exporting firms to compete effectively in oversea markets. After the shipment, financing is required because overseas buyers generally pay on a deferred basis (Asian Development Bank, 1990). The stock of financial resources available for export development helps the firm to build up its distinctive competency in the international marketplace, and hence contribute to superior export performance (Piercy et.al., 1998; Katsikeas, 1994).

3.1.3 Institutional Support

Institutional support consists of support provided by local institution, which are financial support, consultancy support, education support and international market entry support (Karpak and Topcu, 2010).

Gencturk and Kotabe (2001) find that government export assistance programs contribute to export success, but the extent of that contribution is dependent upon the dimension of export performance being examined. Conducive domestic market conditions such as well developed supporting institutions including export promotion agencies and other government incentives (access to low interest loans) can trigger local SMEs to search for market opportunities (Rutihinda, 2008; Parhizkar et. al. 2010). Alvarez et al., (2004) mentioned in their article that exporter committee shows a positive and significant impact on export performance.

3.2 Firm-specific Factors

3.2.1 Firm Size

International evidence suggests that firm size matters for exporter performance (Alvarez, 2004). Firm size affects a firm’s marketing capabilities, attitudes, needs, problems, and practices which are important determinants of successful exporting (Dean et. al., 2000; O’Rouke, 1985). The relationship between firm size and export intensity has been one of the most controversial issues in the recent international business literature (Antonio et.al, 2005). The literature on firm size and export performance largely points towards a positive impact of size on export performance (Bonaccorsi, 1992; Dhanraj and Beamish, 2003; Majocchi et al., 2005; Wagner, 1995; Barney, 1991). Larger firms exhibit higher degree of internationalization (due to available managerial and financial resources) as well as performance (due to economies of scale) (Thomas and Eden, 2004; Wagner, 1995). Furthermore, as to the motivation of export, small firms are less eager to export than larger firms (Borgersen, 2006; Bonaccorsi, 1992). Meanwhile, in one way or another, smaller enterprises bear higher costs for acquiring foreign market information (Gumede, 2004).

However, some researchers hold different views, Haahti et. al. (2005) consider that
firm size does not show a direct impact on performance, but its indirect effect on export performance through cooperative strategy and knowledge intensity is significant. Katsikeas et al. (1997) found that the level of export development, product type, and company size, to a lesser extent, influence export success.

3.2.2 Firm Previous Experience

Fenwick and Amine (1979) concluded that years of export experience discriminate high and low export performers. The previous experience of a firm affects its international position (Erramilli, 1991). Firms must learn how to behave in a different market context and therefore the international experience is very important (Antonio et.al., 2005). Export activities are regarded as a valuable means of internationalization, because they allow firms to accumulate institutional, business and internationalisation knowledge (Sharma and Blostermo, 2003). The accumulation of experience leads firms to a better knowledge of business opportunities both domestically and internationally and, therefore, as time passes the international involvement of firms increases (Forsgren, 2002; Majocchi and Zucchella, 2003; De Chiara and Minguzzi, 2002; Antonio et.al., 2005).

Results of previous studies dealing with the relationship between export experience and performance are also controversial. Cavusgil (1984) found that export experience is not associated with the development stage in the process of internationalization.

3.2.3 Firm Competencies

The stronger the capabilities of SMEs, the greater will be the competitive advantage enjoyed over existing or potential local competitors and hence the better their performance (Dunning, 1973; Oviatt and McDougall, 1994; Bijmolt and Zwart, 1994; Dean et. al., 2000; Nakos et. al., 1998; Roper and Higon, 2006). Firms with stronger capabilities (ownership advantages) may be in a better position to attract more capable business partners, further enhancing their performance (Lecraw, 1984; Vernon, 1983). Competitive advantage is enhanced by technological resources in terms of manufacturing (Zahra and Nielsen, 2002), new product development, and product superiority (Dhanaraj and Beamish, 2003; Francis and Collins-Dodd, 2000; Mahone, 1994; Alvarez, 2004; Anand and Kogut, 1997).

Similar to technological capabilities, marketing capabilities also determine the success of a firm in the foreign markets. According to Borgersen (2006), the distribution and delivery quality are two parts of marketing capabilities. Furthermore, to enlarge the firms’ influence is also a part of firms’ competency (Ibid). Product adaptation strategy is positively associated with export performance (Calantone et. al., 2006).
3.2.4 Firm Network

Export cooperation and networking existence of network arrangements influence the SMEs’ export performance to a large extent (Borgersen, 2006). Compared to larger multinationals, SMEs typically rely more extensively on network relationships as they pursue international opportunities (Coviello, 2006; Zahra, 2005). A firm’s relationships with other firms in the market place can contribute to its internationalization process (Rutihinda, 2008).

As the firm takes advantage of its established relationships in the industrial network, the SMEs may be able to overcome their resource constraints by using their partners’ resources (Rutihinda, 2008). Established international networks are likely to encourage SMEs to pursue international operations (Ibid). Keh et. al., (2007) thought SMEs are interested in information on their customers and competitors in order to differentiate their offerings and positioning, thus enhance the network.

3.3 Decision-maker Factors

The main distinction of SMEs is the central role played by their owner manager in making strategic decisions. Unlike large firms that have a large pool of professionals employed to address specialized tasks, SMEs are highly dependant on the capabilities of their owner managers. A great deal of the entrepreneurship and small business literatures have identified the crucial role played by the manager who determines the strategic direction of the business (Rutihinda, 2008).

3.3.1 International Orientation

The international orientation of the decision-makers is related to the education background and the motivation on exporting (Borgersen, 2006). Baldauf et al. (2000) found that management's motives to export and the use of a differentiation strategy are predictors of success. Kumcu, Harcar, and Kumcu (1995) indicated that, manager motivation helps to explain awareness of export incentives.

Spence (2003) considers that the success of UK overseas trade missions is positively affected by manager language proficiency. Moreover, management’s restrictions such as risk aversion or limited knowledge about foreign opportunities can limit the firm’s ability to pursue international operations (Rutihinda, 2008).

3.3.2 Personal Contact Networks

Compared with larger firms, the information generation possibilities of export
managers in SMEs are more limited, therefore the use of personal contacts is relatively more important (Samiee and Walters, 1990). SMEs’ managers have to rely on demanding information to enhance the export performance, and this information is often obtained through personal contacts (Denis and Depelteau, 1985). Alvarez et. al., (2004) also maintained that the structure and content of international networks that SMEs managers utilize prior to their first international venture will have an important impact on the speed of internationalization and performance.

A social contact that leads to successful outcome and contributes to the entrepreneur’s goal is a social capital and an important component of the entrepreneur’s network (Burt, 1992). Professional network stands for a set of association with other firms for business purpose (Tufail, 2009).

3.3.3 Personal Previous experience

The decision-maker’s previous experience of extra-regional expansion and importing experience are one part of the factors which influence the export performance (Borgersen, 2006). The entrepreneur’s personality, his/her managerial skill, and technical know-how are often cited as the most influential factor to the performance of SMEs (Man et. al., 2002). These are included or influenced by the entrepreneur’s previous experience.
4 Methodology

The methodology part will be described in this chapter. In order to be much clearer about this chapter, the authors divide it into six parts: research strategy, research approach, case study, data collection, data analysis, as well as reliability and validity.

4.1 Research Strategy

It is considered that data collection methods affect the results, so it is important to collect data generated in a good way. As the research methods, quantitative research and qualitative research are widely used to collect the data.

Quantitative research can be construed as a research strategy that emphasizes quantification in the collection and analysis of data and the characteristics are as follows. It entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories. It has incorporated the practices and norms of the natural scientific model and of positivism in particular. It embodies a view of social reality as an external, objective reality (Bryman and Bell, 2007). By contrast, qualitative research can be construed as a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data. It predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories. It has rejected the practices and norms of the natural scientific model and of positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world. Besides, it embodies a view of social reality as a constantly shifting emergent property of individuals’ creation (Bryman and Bell, 2007).

A quantitative approach is the most suitable when the researcher wants to investigate the extent of behavior or attitude (Jonsson and Hägg, 2009). While qualitative research reveals and explains behaviors, based on the assumption that they create reality as they interact with social environments (Patton, 1990). In this study, the choice of the research strategy is qualitative research. The authors will interview the company they have chosen, and the topic is the factors influencing the export performance. Explaining this requires a deep analysis of company’s experience. The qualitative method is most suitable for this purpose, since it allows the authors to go deeper into different factors influencing export performance for each company by collecting primary data (Gao, 2009).

4.2 Research Approach

There are two sorts of research approaches, deductive theory and inductive theory, which have always been discussed widely. “Deductive theory represents the
commonest view of the nature of the relationship between theory and research”.
(Bryman and Bell, 2007) An inductive theory starts from observation and follows
with generating theory or hypothesis. Comparing with deductive theory, the process
of inductive theory seems to be a part of deduction (Ibid).

In this study, the authors mixed two approaches – deductive and inductive. At first,
deductive theory has been adopted to support the data collection (Xu and Liu, 2009).
Here, the selected theories are some factors affecting export performance. The
authors’ aim is to gather the data on what and how do different factors influence the
SMEs’ export performance. While searching for interesting conclusions and
implications that could be derived from the case study, the authors used an inductive
research approach. This was done for the purpose of finding relevant factors which
influence the SMEs’ export performance according to the company’s real experience
the possibility of conducting such a case study in the same industrial district.

4.3 Case Study

According to Yin (1994), a case study is an empirical enquiry that investigates the
contemporary phenomenon within its real life context when the boundaries between
phenomenon and contest are clear, and in which multiple evidences are used. Case
studies are appropriate when questions such as “how” and “why” are addressed, and
the goal is to observe a phenomenon within the context of “real-life”. Furthermore,
when the investigator has a little or no possibility to control the events, case study is a
proper method to proceed with the research (Yin, 1994). In addition, procedural
characteristics in the situation include many variables of interest, multiple sources of
evidence, theoretical propositions to guide the collection and analysis of data (Yin,
1994).

As to this article, the research question is “what and how do different factors
influence the SMEs’ export performance”. The authors tend to explore the real factors
which the company considers and how each factor influences the export performance.
Therefore, a proper way is needed to look deep into each factor, and case study is this
method. In a word, selecting the case study approach to research this question seems
to be appropriate.

4.4 Data Collection

4.4.1 Case Company Selected

The original objective of this article was to study two cases. To be able to compare the
findings, the authors got two companies’ data from two interviews with Company A
and Company B. However, just one company’s data is utilized and analyzed in this
article. The reason lies as follows: The authors submitted the empirical data to the supervisor on April, 20th and got the feedback on April, 26th. The suggestion is trying to obtain more specific data of how the different factors influence export performance in terms of examples. After understanding the lack of data, the authors contacted the two companies again, showed that more detailed information of the companies are needed. However, Company A rejected to answer more details, because they thought the further interview will break the company’s privacy. Then, the authors considered to contact one more company as another case company, but the deadline of thesis is 20th of May, the time limitation made the authors give up that idea. Finally, the authors decided to delimit the study to one case study, and the case company is Company B.

As to Company B, they produce the technological products and hold the technological advantages, which are related to the innovation factor in the literature. Moreover, the authors know the trade manager of Company B from friend’s introduction, and the trade manager is willing to accept the interview. After selecting the case company, the authors spent abundant time and made full preparation. Two interviews were made with this company. The interviewee, trade manager of Company B, was very patient to the two interviewers. He gave the answers to the interview as much as he could. Furthermore, he gave some examples during the second interview. Sometimes, he compared the situation of Company B and other SMEs, all of the data are very helpful to the whole thesis. However, the trade manager evaded the company’s business secrets such as capital problem and he thought it is sensitive and did not talk too much on that issue.

4.4.2 Data Collection Process

Yin (1994) mentions six different ways to collect data, six sources of evidence, namely: documentation, archival records, interviews, direct observation, participant observation and physical artifacts. According to Yin (1994), interviews will be the primary way, and it is one of the most important sources for a case study. To be more specific, the method is semi-structure interview which offered the interviewee freedom and flexibility in answering questions (Bryman& Bell, 2007). A semi-structured interview refers to a list of questions on fairly specific topics to be covered by the researchers with a great deal of leeway in how to reply. And in this sense, questions that are not included in the guide may be asked as the interview picks up on things said by interviewees (Ibid).

Following this, the authors developed an interview guide, as a semi-structured interview (Appendix 1) which contains items about the three categories and detailed factors. According to the tips and skills mentioned by Bryman and Bell (2007), the authors design the questions in different types like direct ones with follow-up ones, open-ended etc. Meanwhile, the sequence of the questions were also been designed properly (Petrovski and Shi, 2009). Requests for interview are made by email,
telephone and MSN before the interview. Actually, it is not so easy to find the Chinese SMEs to take the interview because they consider the companies’ privacy cannot be protected in this way. That’s the reason the authors cannot get contact with more companies, and write the Company B as the company’s names instead of its real name. After the appointment of interview is made, the interviewers find a quiet place and check the record there before the interview. Since the case company is located in China, so the authors use the SKYPE (one chatting computer program) to make the interview, the cameras on the computers provide the chance to both sides to see each other. Furthermore, since the video online interviews are used, the vital issue is to make sure the internet of the interview place are stable and the connect speed is fast. According to these conditions, the quiet place with perfect internet connection, the authors chose the group room on the third floor in the library. The room also ensures that during the time the authors booked, no interruption will happen (just in case someone may knock on the door, the authors stick a note on the door saying that the interview is going on inside the room) and as far as the authors know, the internet speed in the library is the fastest in the campus.

During the interview process, the authors record the interview from the very beginning to the end, which provides the opportunity to transcribe the interview word by word afterwards. As there are two interviewers, it allows one interviewer focuses on asking the question, going around the questions asking sub questions, using more polite way and making the questions easier for interviewees to understand. The other interviewer pays attention to the body language and eye contact of the interviewee, make short notes and make sure all questions are covered (Bryman and Bell, 2007).

Besides, the authors collected some information from the company’s websites, as well as from the news and reports about the company. When using secondary data as a source in research, it is important to be critical of the data and also to the selection of the data. This is to make sure that the data is reliable and trustworthy for the research in question (Jacobsen, 2002).

4.5 Data Analysis

Grounded theory has been defined as ‘theory that was derived from data, systematically gathered and analyzed through the research process (Bryman and Bell, 2007). Besides, it is the most widely used framework for analyzing qualitative data. As it is showed in the Bryman and Bell (2007), the first three steps in grounded theory are the research question, theoretical sampling, collect data, following with translating, transcript (Ibid).

The authors listened to the tapes several times to write down the interviewee’s answers under each question, and then translated all the answers into English. Based on this, the coding is done afterwards to find the core meaning. Data are coded in the opening coding level. In the coding process, the authors broke down the data,
examining, comparing, evaluating the answers in the interview and trying to find similar and different features in the answers, conceptualizing and categorizing data. After the core meaning was gathered from the coding process, the authors analyzed the answers combined with the literature.

### 4.6 Reliability and Validity

It is very necessary to establish and assess the quality of research. Reliability and validity are the appropriate criteria for qualitative research (Bryman and Bell, 2007). Validity refers to the issue of whether or not an indicator (or set of indicators) that is devised to gauge a concept really measures that concept. It concerns the degree to which an account is accurate or truthful, as well as the degree to which a finding is judged to have been interpreted in a correct way (Golafshani, 2003). Reliability refers to the consistency of a measure of a concept (Bryman and Bell, 2007). It refers to the ability of other interested persons to repeat the research and receive the same results (Ibid).

In this study, the authors try to improve the validity and reliability of the research. The respondent speaks Chinese in the whole interview, which makes the communication easier and avoids misunderstanding. Furthermore, both of the authors studied international trade in the bachelor study, thus, it is quite helpful to prepare for the interview guide and understand some trade terms during the interview such as the export rebates. During the interview, the authors try to increase the openness of respondent, and to guide the respondent to speak more instead of giving leading questions, making the respondent initiative and active. After interview, the authors translated all of their answers into English based on the record, and make sure that the translation version shows correctly the respondents’ meaning. However, it is unavoidable that small errors exist in the language after translation. In addition, considering some issues like capital resource and personal network, the trade manager is reluctant to talk too much, which is a little confused to the authors. But for the questions, he almost has elaborated with some real examples of the company.

Moreover, if some other researchers want to do the same research under the same conditions (same interviewee, same company, same environment), the answers they got from the trade manager will be the same. In addition, the secondary data, like company web sites and companies’ reports, are also trustable since their validity and reliability are confirmed by the trade manager.
5 Empirical Data

5.1 Company Background

Company B is a Chinese-foreign joint venture which has about forty employees (categorize as the “small” sized company according to the EU SME definition). This company focuses on the research and development, design and manufacture of the electrical machinery series product. To be specific, this company specialized in the production of Right Angle Shaft Series Gear Motor. The products are technological, and can provide integrated designs as well as smooth line and corner. The main characters of their products are high efficiency, saving the energy, low noise and space saving. The scientific production process control and strict quality monitoring system are utilized to produce every Gear Motor. The products of the company are authorized by the ISO9001 international quality specification system authentication, the European CE product safe authentication as well as the national product 3C authentication. This company changed their focus from the domestic market to the foreign market a few years ago because of the serious competition in China.

5.2 External Environment

5.2.1 Entry Costs

In the interview with company B, the trade manager mentioned several factors included in the entry costs: Customs; money spent on meeting the target market restrictions or the WTO negotiations; the fee of transportation; money spent on searching the business information; the local competition’s influence on entry costs and money spent on advertising or building up the brand in the target market. He also explained how the factors influence on the company’s export performance. Furthermore, according to the experience of this company, the manager mentioned one more factor of entry costs which is the expense of getting overseas business license, it is also a certain part of entry costs. The detailed exposition will be indicated as follows.

The customs duty includes the export customs duty and the import customs duty. As to the export customs duty, since the products of Company B are technological products, there is no export customs. To some special products, for instance the rare products, export customs duty is comparatively high. In China, the export customs duty for the similar products which are produced by other companies is also zero. Therefore the export customs duty disbursement does not influence on the export performance in Company B. As to the import customs duty, the rate is different according to different countries, and it is paid by the importers, i.e. the overseas
customers. Therefore the import customs duty is the issue which the customers pay attention to, not Company B. The trade manager of Company B also mentioned that for larger companies, one of the ways of internationalization is to set up the agents in foreign market. In that case, the import customs duty is important, since the export and import are both the companies’ business. For the small sized companies like Company B, they just focus on exportation, so the import customs duty will not affect the export performance. In a word, customs duty does not influence the export performance for Company B.

Company B spent a great deal of money on achieving the standard of target market restrictions and WTO negotiations, for instance, CE (CONFORMITE EUROPEENNE) authentication and national product 3C (China Compulsory Certification) authentication, as well as the ISO9001 international quality specification system authentication. All of these can improve the company’s product cognition among foreign clients, thereby improve the export performance. The trade manager mentioned that when Company B just started the export business, an European customer was interested in their products, and he wanted to look through the Company B’s CE authentication, if not, he would not make the deal. As a result, Company B did not get the chance to do the business with that customer. Therefore the company spent a big deal of money to make the CE authentication, it helps the company to get and maintain business relationship with oversea customers, and much more profit is made. Furthermore, it can improve the export performance.

Ningbo, the city where Company B is located, is a city near the Pacific Ocean. Besides, there is a natural big port in Ningbo. This provides good conditions to the transportation. Meanwhile, there are many freight forwarding companies which have rich experience on transportation. Company B cooperates with a few stable Freight Forwarding Companies who are specialized in transporting the products abroad. Company B does not consider it too much. Most of the time, the freight forwarding companies will take charge of the transportation of Company B. Meanwhile, the price of transportation is steady in China, so the transportation fee is equal to every similar company, and it does not influence much on the cost of export. While there are also some exceptions, a little trouble may happen, for instance in Russia, there used to be “the gray clear pass”, when the Company B deals with the business between Russia and China, Company B has to pay extra expenditure on transportation and the customs. Overall, normally, transportation will not influence much on export performance of Company B.

Searching the information in foreign markets is very important for Chinese SMEs, and the most common way for them is the fair or exhibition in China or abroad. Company B spends much money on searching the demanding information in the markets. The main approaches are domestic and oversea exhibition (such as Guangzhou Fair, Berlin Fair and Frankfurt Fair) and some platforms (such as Alibaba Commercial Platform and Made In China Platform) as well as paying the money to
stick advertisement on the website like Google and Baidu (pay to get first several places in the searching results). In a word, they try to introduce their products to the people all over the world. Among all the approaches of searching the foreign markets information, the fair can be the most effective one. There are two reasons for this. On the one hand, the fair can provide the chance to do the face-to-face communication, it is quite important to build trust in this way. On the other hand, in some countries, the internet has not been widely used; therefore online platform is not feasible in these countries. According to these reasons, Company B uses all resources to participate as many domestic and foreign fairs as possible, obtains more customers and more business opportunity. Regarding to how the business fairs influence the export of Company B, the trade manager mentioned that during the fair, company foreign clerks send the personal card to the customers, and provides product samples to the customers who are interested in the products. Afterwards, if the customers are interested in the products, they will contact the company. In this way, Company B accumulated more customers, and it is the most effective way to explore new customers. The product sales volume can be improved, thus enhances the company’s export performance. However, in some fair, there are few customers or no customer contacting the company, and the company has spent much on the fair, so the effect is negative sometimes.

There is no strong business competition in the district where Company B is located. Besides, their products are technological, so there are not so many business competitions in local district. Therefore, the prices will not be influenced by the competing between companies, and the prices of the products will not decrease. The trade manager said: “Actually the biggest competitor of our company is a Japanese enterprise, the materials they use in the products are better; they also accumulated good reputation in this field.” However, compared to them, Company B also has some advantages. Company B has the price superiority, the products prices are about two thirds of that in Japanese company. Moreover, from receiving the orders to producing the final products, Company B takes shorter time than the Japanese company. Overall, the products sales volume of Company B is lower than Japanese company. The competition plays the negative effect on Company B.

Company B does not spend on advertising or building up the brand in the target market. It is not only because they do not have enough capital, but also not so necessary for Company B. The company has their own brand, but the brand is not famous. Sometimes overseas customers ask for pasting some other signs on the products. Company B will follow their instruction and paste the brand name on the products to enlarge the volume of exports. Some companies need the products which paste Company B’s own brand name. Some companies need the products which paste their brand name. Company B produces the products in both ways. Therefore, Company B does not spend much on expanding the brand’s effect. The cost spent on brand does not affect much on Company B’s export performance.
At last, the trade manager of Company B mentioned that the expenditure on the establishment of marketing channels cost the most among all the expenses, for instance, the fee spent on the business fair and so on. Besides, Company B spent the expense on that obtaining the export license every year, but not much.

5.2.2 Capital Sources

The fund questions were not mentioned too much during the interview. After the trade manager hearing the authors’ question, he mentioned that it is the company’s secret and it is a sensitive issue, so he will not talk much on it.

As to most SMEs in China, the main capital sources are loan from bank and the government supporting capital (export rebates). Company B has the stable professional capital sources which contain the free capital of their own and some loan from bank, as well as one item supporting capital from the government-the export rebates.

However, as to the loan problem, it is complicated. The bank will lend money to the SMEs according to the companies’ achievement and asset. Normally, there is no preferential policy on the loan in the nation-owned banks, generally the loan is from the personal operated bank.

Capital source is very important for an enterprise, especially SMEs in China. It is a pretty vital part influencing the export performance. The principle in Company B is that for small amount of products, no delaying payment, for large amount of products, the deposit will be charged, normally around 30 percent of the total payment. With the payment, the company can buy the components and it will help the company with the turnover of the capital. Company B also has the experience of dealing with the delaying payment. When Company B just started with their business on exporting, they made some problems in the cash flow. One customer wanted to pay the money one week later after they got the products, and Company B permitted. However, as a result, Company B did not have enough cash to deal with the following order, they could not get the money to buy the components, so they just gave up that order, and as the trade manager mentioned, that made the company lose the business opportunity. It can be seen that the fund flowing to a company is extremely important. Therefore, the capital sources are very important to the export performance.

5.2.3 Institutional Support

There is no government exporting assistance programs or export promotion agencies in the area where Company B is located, and there is no support program in their products field. This support mainly focuses on the companies which are of high technology and high potential in China.
There is no government incentive for Company B, no low interest loans. It is very hard for Company B as well as the majority of SMEs to get access to get low interest loans.

The export rebate is the main approach to support SMEs in China, from the government. The rates are different from different products according to the product added value, for the primary product, the export rebate is low. However, for the products which have been added much value, the export rebate is high. The products in Company B are technological, so the export rebate is continuously in a high level, around 17%. The high export rebate can increase the company’s profit, strengthens the willingness of the company to do the exportation. Moreover, it can promote company to enhance the exportation performance. Export rebates are extremely important for SMEs in China. Some SMEs’ profit such as Textile Clothing Industry is only relied on the money of export rebates.

5.3 Firm-specific Factors

5.3.1 Firm Size

According to the previous experience of Company B, in general, firm size has positive influence to the export performance, and this affects export performance indirectly. To Company B, the firm size is not big, there is always lack of managerial and financial resources, as well as lack of distribution channel. These restrict the process of exploring new customers, hence restricts the export development. As the trade manager of Company B emphasized, compared with the big size company, they do not have enough resource to explore the distributing channel, and as indication in the capital source part, the free capital source in Company B is limited which hamper the development. The trade manager also gave an example, comparatively, the competitor of Company B, one Japanese company, owns enough sources to explore the new products and new customers. Meanwhile, according to the previous experience of Company B, in general, bigger size firms’ export motivation is stronger than the smaller firms because they have more information about market and much rich experience of exploring the market. The firm size influence the company’s export performance,

5.3.2 Firm Previous Experience

Company B has experience of exploring foreign markets. They have stable customers in foreign markets. When the company enters into a new market, the previous experience plays an important role. Especially when the company met some serious
problems in exporting, the previous experience is of vital importance.

The trade manager of Company B considers that it is necessary for a SME to have experience before exporting. To have experience is better than explore slowly from the first step. Several examples were given, firstly, take the transportation for example, after having the experience of transportation, the company will be much wise on choosing the transportation route (choosing the transferring countries), the route which can save the exportation cost will be chosen. Meanwhile, using one container with other companies will be cheaper than use the whole container, this is also got from experience. Secondly, Company B wants to establish the office in some developing countries. The experience can be helpful on the building of the distribution channel, for instance using business fair or establishes the office. Some countries are suitable to adopt the business fair way, for instance the European and American countries, while in some countries, there is no business fair, and the transportation are not developed well, building the agents will be more proper. Compared to developing countries, setting up the agent office in Europe and America will cost too much. Company B has calculated the warehousing cost is much higher in Europe. Meanwhile, getting the license to set the agent in these developed countries is much difficult and cost much.

5.3.3 Firm Competencies

The firm competencies discussed here includes the products characteristics, firm competitive ability, quality of the distribution and delivery and the management of staff.

Compared with the traditional products, the technology of products in Company B is advanced. Their products can save energy and improve the working efficiency. The new products have not been widely accepted by the customers, and the costs are also higher. Furthermore, in the background of global financial crisis, more customers prefer to buy traditional mature products to save cost. However, the products of Company B can meet the customer need, so they will have the opportunity to increase the sales volume. The technology Company B utilized had made them have the long-run competitive advantage in the similar products’ competition.

In addition, the competitive competency is one part of firm competencies. There are some competitors in the domestic market, but not many, as Company B has the technology advantages. In the international market, there is one similar company in Japan, and they are the competitor of Company B. Compared with them, Company B has the comparative advantages in lower costs. However, the Japanese company has the advantages of good brand and mature manufacture, as well as the good quality, and they have accumulated good reputation. To make better export performance, the manager showed that the company has to make use of their cost advantages and improve the disadvantages.
In Company B, staff's enthusiasm is high, and their technology skills of operating the machines are high, their workshop management is also good. The members in the managing team of Company B view management in a high level, and they often watch the videos of management to improve the skills of management. Therefore, compared with other companies, Company B has the superiority in the goods supply and due to the good management, the efficiency of producing is higher than similar companies. For instance one customer booked an order and asked to get the final products in 20 days, other company could not produce since the time limitation, while Company B can take this order and produce because the goods supply ability is higher in Company B. Furthermore, this attracts more customers and enhanced the sales volume.

**5.3.4 Firm Network**

The firm network includes the relationship with the sub-contractor, local trading company and the foreign markets customers.

Company B has good relationship with the fittings manufacturers as well as the suppliers, so the company can buy the fittings in a lower price to reduce the cost of exporting products, as well as controlling the quality of the products. In this way, the export profit can be increased.

Company B has their own exportation, and also has the steady relations with foreign trade companies to do the exportation. These can help the company publicize the products and recommend their products to the customers. Company B cooperates with the specialized trading company, for example, they are exporting the motors, so they will choose the machinery trading company to cooperate with. They contact the foreign trade companies, and let them know the products, then when the trade companies have the demand from the oversea customers, they will let Company B know, and Company B decides if the order will be taken or not, the export sales can be increased in this way. Although extra money should be paid to the trade company compared to do the export by the company themselves, it is still profitable since the volume will increase in this way. Therefore, Company B keeps touch with the foreign trade company to know current customers’ demand.

Company B has good contact with the foreign markets customers. Clarifying the needs of them and providing proper products with good quality will increase the rate of success on doing the trade.

Regarding to maintaining the long-run relations with overseas customer, Company B invites them to come to Ningbo (a seaside city where the Company B is located) to have a trip, and give the customers the presents with Chinese characteristics. Simultaneously, when there are new products developed in the company, Company B
will inform their existing customers promptly to check if they are interested or have demand in the new products or not. As to the products which have been sold, Company B often contacted the customers and inquired about the products’ quality, getting more opinions from the customers about how to improve the products, checking if they need more products or not. These can all enable Company B receive the customers’ feedback to enhance the export products’ quality and company's exportation achievements. Occasionally the stable existing customers of Company B may recommend the new customers to them, but are not many.

5.4 Decision-maker Factors

5.4.1 International Orientation

The manager in Company B has not received the foreign education and he has not got the business training before. The education background will be helpful for the export performance. If he has received this kind of training before, he may have more knowledge of internationalization, much deeper understanding of the marketing channel. These can improve Company B’s exportation performance. The manager himself is very familiar with the products, and he already has quite good relationship with the domestic and foreign customers. If he has good English expression, it will be more advantageous to keep the relationship with the overseas customers, simultaneously it will reduce the expense of employing the clerks or translators, therefore reduces the exportation cost. The trade manager said: “My friend is working in a SME, his manager has the foreign education background, and moreover, he has quite good English expression and rich knowledge of his products. Besides, he often goes to Europe and America to visit the customers, to do face-to-face communication instead of the platform online, in this way, trust is built. My friend’s company obtains more orders, and the export sales are improved. However, in China, such managers with good education background and good English are not much. Most of the managers are similar with our manager.”

Company B’s decision maker exportation motive is very strong. The competition in domestic market are more and more serious, so keeping on exploring the export is a good way for Company B. However, the manager’s own ability is insufficient, therefore he employs some experienced foreign trade clerks with much money to work with him to develop the exportation business.

5.4.2 Personal Contact Networks

The manger of Company B keeps the good relation with local politician friends, domestic and oversea business friends.
The manager is very good at exploring the new network. It is an important factor for internationalization of Company B.

The sales manager proved that network is very important in China with one example. Several years ago, the Chinese government set the exportation quota to limit some products’ exportation. Therefore the manager should build good relations with the friends who work in the government to get more export quota. Now, there is no quotas any more, but built good relationship with the politician friends is still important, regarding to the construction of company's workshop as well as the infrastructure, the good network can be helpful. The manager of Company B only knows a few politicians and he has more friends who do the business. Recently, he relates quite well with Taiwan's merchants, utilizes their advanced technology, forms better development plan through the discussion with them, and learns from their previous mistakes to avoid making similar mistakes. For example, Company B wants to establish the office and get some suggestion from Taiwan’s merchants. Meanwhile, communicating with them can motivate more good commercial ideas, reduces the cost, and find more business opportunity, therefore enhance the exportation performance.

Sometimes, building the new network is not free. It will cost some money. However, in general, the wider and the better network of the manger is, the better company’s export performance will be.

5.4.3 Personal Previous Experience

The decision maker in Company B has some experience about exploring the domestic market. There are some similarity between the domestic market and the oversea markets, so it will be helpful to the company’s export performance.

Company B built up the subsidiary in the extra region in Shanghai, Jiangsu besides Zhejiang. The process of building the network in China gave the manager the experience of building the agencies abroad.

In addition, the manager of Company B went to Europe before and knew some local people and local culture. These will be much easier for Company B to develop European customers. When he was in Europe, through the introduction of one friend, he met a local merchant who produces similar products with Company B. Afterwards, this merchant needed the products of Company B, then he tried to contact the manager. Therefore, the manager’s previous experience helps the company to increase the company's volume of exports. Meanwhile depending on the experience of the business fair and setting the agent abroad, the manager gets improvement on the current business fair and how to expand the customers through the fair or agents in the future.
6 Analyses

6.1 External Environment

6.1.1 Entry Costs

According to the literature, Borgersen (2006) considers that customs duty is one part of entry costs which is one factor that influence export performance. When it comes to Company B, the only issue the company considers about is exporting the products to the foreign customers. The export customs for Company B is zero, and the import customs duty is paid by the importers—the foreign customers. Therefore, for Company B, customs duty does not influence the export performance.

The cost on the product upgrading such as the issues to achieve health safety environment standard and target market rules is another part of entry cost (Borgersen, 2006). Company B spent a great deal of money to get some certifications to avoid losing the business opportunities. Therefore, having the certificates can help Company B get and maintain business relationships with oversea customers, and make more profit. Furthermore, it can improve the export performance.

Transportation was ranked most important among all the factors for exporting (Parhizkar et. al., 2010). Roberts and Tybout (1997) consider that old problems related to weak export infrastructure still hamper trade as an exogenous entry cost for developing countries’ firms. Company B’s situation is different from the theory. The economic situation at present and the location of Company B can explain the gap. Most of the time, through the cooperation with Freight Forwarding Companies, the transportation for Company B is smooth. The transportation can be a tough issue only when transports to few countries with some special rules. In a word, the transportation for Company B does not influence much.

The SMEs' limited capacity to acquire information is a major factor explaining their low level of involvement and performance on export markets (Julien and Ramangalahy, 2003). Information is becoming a crucial resource, especially for SMEs (Ibid). Export managers view trade shows as an effective means of obtaining knowledge about foreign markets (Ramaswami and Yang, 1990; Seringhaus and Rosson, 1998). Similarly, Company B also spent much on searching market information. The trade shows can be the most effective one to obtain more customers and more business opportunity for Company B. This is opposite to the research in Chile (Alvarez et. al., 2004). Regarding to how the business fairs influence the export of Company B, during the fair, the personal cards of the related staff are sent to the customers, so that the customers who are interested in the products will contact the
company. In this way, the products are known by more customers, and more customers can be accumulated. Obviously, the product sales volume will be improved, thus enhances the company’s export performance.

Borgersen (2006) viewed that weak business environment increases the costs, it plays a negative role in the export performance. While, it is the opposite situation in Company B, the weak local business competition can avoid the price decreasing. In the international market, the Japanese company, makes Company B’s export performance weak. Therefore, both the local and international competition play the negative roles in Company B’s export performance.

In addition, when SMEs enter into different international markets, the costs of advertising, building up the brand developments in the local markets are also a part of informal entry costs (Borgersen, 2006). However, Company B does not spend on advertising or building up the brand in the target market. It is because that Company B not only produces the products with their own brand, but also produces the products with the brand which customers ask for. In this way, no matter the brand of Company B is famous or not, the export volume can be increased. The cost on building up the brand does not affect Company B’s export performance.

6.1.2 Capital Sources

Ling-yee and Ogunmokun (2001) identified that export financing resources is the key factor for superior export performance. As to the case company, Company B has the stable professional capital sources.

The stock of financial resources available for export development helps the firm to build up its distinctive competency in the international marketplace, and hence contribute to superior export performance (Piercy et.al., 1998; Katsikeas, 1994; Piercy, 1998). Financing is required strongly for SMEs because overseas buyers generally pay on a deferred basis (Asian Development Bank, 1990). The example showed that less capital sources hampers the development of Company B. The business opportunities were lost and export performance was decreased. The limited capital sources restrict the SMEs development and affect their export performance negatively (Patel and D'Souza, 2009). Overall, capital resources play the import role in Company B’s export performance, rich capital resources enhance the competitive advantages, attracting more business opportunity, hence the export performance is improved, and vice versa.

6.1.3 Institutional Support

Gencturk and Kotabe (2001) found that government export assistance programs contributed to export success. Alvarez et. al., (2004) mentioned in their article that
exporter committee show a positive and significant impact on export performance. For Company B, export rebate is the main support from government export assistance. The products in Company B are technological, so the export rebate is high, around 17%. The high export rebate can strengthen the motivation of export, enhance the quantity of export and increase the company’s profit. Moreover, it can promote company to improve the export performance. Therefore, export rebate is extremely important for Company B.

6.2 Firm-specific Factors

6.2.1 Firm Size

Barney (1991) pointed out that there is a positive link between firm size and export performance. As to Company B, firm size has positive influence to the export performance, and it affects export performance indirectly.

Thomas and Eden (2004) consider that larger firms should exhibit higher degree of internationalization (due to available managerial and financial resources) as well as performance (due to economies of scale). Smaller enterprises bear higher costs for acquiring foreign market information (Gumede, 2004). Company B indicated that the firm size affect export performance indirectly, through the management resource, economy scale, the distribution channel, reputation and the finical sources. Compared to the Japanese company, the limited managerial and financial resources in Company B restrict the process of exploring new costumers, hence restrict the export development. Overall, bigger companies’ exportation performance is better than that of smaller companies. Furthermore, as to the motivation of export, small firms are less eager to export than larger firms (Borgersen, 2006). According to the previous experience of Company B, in general, bigger size firms’ export motivation is stronger than the smaller firms because they have more information and rich experience.

6.2.2 Firm Previous Experience

Fenwick and Amine (1979) concluded that years of export experience discriminate high and low export performers. Firms must learn how to behave in a different market context and therefore the international experience is very important (Antonio et.al, 2005). Company B has experience of exploring foreign markets. When the company enters into a new market, or meets some serious problems in exporting, the previous experience plays an important role.

The accumulation of experience leads firms to a better knowledge of business opportunities both domestically and internationally (Antonio et.al, 2005; Sharma and Blostermo, 2003; Forsgren, 2002). Company B’s previous experience can help them
choose the right marketing channel according to different countries context, then reduces the export cost. In a nutshell, the knowledge Company B gained from the previous exporting can help them improve the export performance.

6.2.3 Firm Competencies

The stronger the capabilities of SMEs, the greater will be the competitive advantage enjoyed over existing or potential local competitors and hence the better their performance (Dunning, 1973; Oviatt and McDougall, 1994). Competitive advantage is enhanced by technological resources in terms of manufacturing (Zahra and Nielsen, 2002), new product development, and product superiority (Dhanaraj and Beamish, 2003). In the domestic market, Company B has the long-run competitive advantage in the similar products’ competition since they have the technology advantages. In the international market, the Japanese company has stronger capabilities, so the competitive advantages of Company B are much weaker.

As Lecraw (1984) and Vernon (1983) viewed, firms with stronger capabilities may attract more capable business partners, further enhancing their performance. The distribution and delivery quality are two parts of marketing capabilities (Borgersen, 2006). The good management improves the production efficiency, and this ensures Company B has the superiority in the goods supply, they can produce and deliver the goods in a limited time. This capacity of Company B helps them improved their reputation and furthermore enhance the export performance.

6.2.4 Firm Network

Compared to larger multinationals, SMEs typically rely more extensively on network relationships as they pursue international opportunities (Coviello, 2006; Zahra, 2005). Company B maintains good network with sub-contractors, local trading companies and the foreign markets customers. Firm network is very important for Company B.

Rutihinda (2008) mentioned, as the firm takes advantage of its established relationships in the industrial network, the SMEs may be able to overcome its resource constraints by using its partner’s resources. Company B has close relationship with the fittings manufacturers and suppliers, which can make them own the competitive advantage. A firm’s relationships with other firms in the market place can contribute to its internationalization process (Ibid). The cooperation between Company B and the specialized trading companies can help the company publicize the products, and increase the volume of sales. Keh et. al. (2007) thought SMEs are interested in information on their customers and competitors in order to differentiate their offerings and positioning, thus enhance the network. Company B also has good contact with the foreign markets customers. On the one hand, they invite the foreign customers for trips and give them the presents. On the other hand, Company B
informs the customers the new products and gets feedback to enhance the products’ quality. In these ways, Company B accumulates more and more customers, and the export performance is enhanced.

6.3 Decision-makers Factors

6.3.1 International Orientation

Baldauf et al. (2000) found that management's motive to export is one of the predictors of success. For the Company B, the decision-maker has strong motivation to export.

Management’s limitations such as risk aversion or limited knowledge about foreign opportunities can limit the firm’s ability to pursue international operations (Rutihinda, 2008). Spence (2003) considers that the success of UK overseas trade missions is positively affected by manager language proficiency. The manager in Company B has not received the foreign education and he does not get the training of business before, and the English level is low. Therefore, Company B’s export performance is limited. The example further improved that the international orientations of decision-maker including the education background and the motivation plays vital role in the SMEs’ export performance.

6.3.2 Personal Contact Networks

Compared with larger firms, the information generation possibilities of export managers in SMEs are limited, therefore the use of personal contacts is relatively more important (Samiee and Walters, 1990). The manger of Company B keeps the good relation with local politician friends and domestic and oversea business friends, and he is very good at exploring the new network.

A social contact that leads to successful outcome and contributes to the entrepreneur’s goal is a social capital and an important component of the entrepreneur’s network (Burt, 1992). For Company B, manger has good network with politician friends to get more exportation quota and more privilege, which makes Company B have higher export sales than other companies. Export information is often obtained through personal contacts (Denis and Depelteau, 1985). The manager of Company B has close relationship with Taiwan's merchants. In this way, he learned their advanced technology through the discussion, and learned their previous experience to avoid making similar mistakes. In a word, building the network with politician friends can make Company B have the priority or the privilege. Building the network with business friends can generate much more business opportunities and achieve win-win profit. All of this can enhance the export performance.
6.3.3 Personal Previous Experience

The decision-maker’s previous experience of extra-regional expansion and importing experience is one part of the factors which influences the export performance (Borgersen, 2006). The entrepreneur’s personality, his/her managerial skill, and technical know-how are often cited as the most influential factor to the performance of SMEs (Man et. al., 2002). As to Company B, the decision maker has some experience about exploring the domestic market as well as the foreign markets, which makes it easier to develop European customers. Meanwhile, the manger’s experience on the trade shows promotes the current trade shows. In a word, the personal previous experience of the decision-maker affects the SME’s export performance.
7 Conclusions and Future Research

7.1 Conclusions

The research question of this thesis is what and how do different factors influence SMEs’ export performance. The purpose of this article is to investigate these factors and research how each factor influences the export performance. The authors analyze the data of Company B through three categories which are external environment factors, firm-specific factors and decision-maker factors. The conclusions are drawn as follows.

As to the external environment factors, entry costs, capital sources and institutional support all play the important roles on Company B’s export performance. To be more specific, expenses on getting the authentication and business information (through the trade shows) are the main cost in the entry costs. Capital sources mainly contain the free capital and loan from bank. Moreover, export rebate, as the only institutional support, plays important role on export performance of Company B. Take the trade shows as an example, during the trade shows, Company B sends the personal cards to the customers and provides the product samples to the customers, thus the customers who are interested in the products will contact Company B. In this way, the customers are accumulated, and the export sales can be increased. Furthermore, the export performance is enhanced.

When it comes to the firm-specific factors, firm previous experience, firm network and firm competencies affect Company B’s export performance directly, while firm size affect indirectly. They all play the positive roles on Company B’s export performance. For instance, the management competency of Company B is in a high level. This ensures the high efficiency of manufacturing. Company B can receive the order and produce the products in a restricted time, which is impossible to finish for other companies. Hence, the export volumes can be increased, and the export performance is improved.

In addition, decision-maker factors which include the international orientation, personal contact network and personal previous experience also play positive roles on Company B’s export performance. Take the personal contact network as an example, through the network with the Taiwan merchants, the technology can be improved, the developing plan can be made and the similar mistakes can be avoid. Meanwhile, through the communication, more business opportunities can be explored. Therefore, the export performance of Company B is heightened.
7.2 Implication of this Study

After analyzing, the factors which influence Company B’s export performance are clear, and the factors can be learnt by other similar SMEs to improve the export performance. Through the research of each factor, the SMEs will not just emphasize on one or two factors, but consider more factors from different perspectives. Furthermore, they will find out which factors they should improve, and how they can implement them.

Moreover, the result of this research will be helpful to the people who want to do trading with Chinese SMEs, especially for the companies similar with Company B. Knowing what are the SMEs really considering about can increase the business opportunities. In this way, the research of how to improve the trading with SMEs (from the SMEs perspective) can be meaningful.

7.3 Future Research

Since the limitation of the time and resource, only one Chinese SME is chosen. However, it is not sufficient to do the comparison between different SMEs. For the future research, it will be better if the researchers analyze as many SMEs as possible. In that case, the conclusions can be compared among different SMEs. More practical conclusion will be drawn from the investigation on the factors which influence the SMEs’ export performance.

This research focuses on the SMEs in China, where the internationalization of SMEs develop fast. For other developing countries, the factors may be similar or different. It will be an interesting issue to find out if these factors are the same in other developing countries or not. As the authors mentioned in the earlier research, the researches focus on the developing countries are far less than that on the developed countries. To find out what and how do different factors influence the SME’s export performance will be a meaningful topic for the developing countries. The reason lies in that this kind of research can be helpful for the SMEs’ to enhance their export performance and develop well in the international competition.
8 Reference

8.1 Articles


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8.2 Books


8.3 Other sources


9 Appendix: Semi-Structured Interview Guide

Topic: The main factors which influence Chinese SMEs’ export performance

Purpose of the interview: The main purpose of the interview is to find out the factors affecting the SMEs’ export performance according to the experience of case companies.

Frame conditions: The following questions will be used only for intended study. The confidentiality is guaranteed which means that no company names or any other personal data will appear in the analysis.

Basic information

The basic information here will be just known by the interviewers (authors of the thesis), will not appear in the article.
1. Can you write down the name and website of your company?
2. What is your role/title on the company?
3. Do you wish that you and/or your company is treated confidentially in this study?

A. External environment factors

Entry costs
1. To what extent do the tariffs influence the export performance? Please specify how it influences export performance.
2. Does your company spend much on meeting the target market restrictions or the WTO negotiations like the health or environment standard, when enters into the market? Does it influence your export performance? Can you talk how it influences export performance with a real example?
3. Is transportation an important issue when your company does the exportation? Is it a problem or is it easy to deal with? How does transportation influence export performance?
4. Does your company spend much on searching the information of a market? For example, the exhibition or the commercial platforms like Alibaba. Which is more important? Can you talk about how it influences export performance with a real example?
5. Is there strong business competition in the district your company located in? Does it increase or decrease the cost of export? How does it influence export performance?
6. Does your company spend much on target country advertising or building up the brand? Is it an important part of the entry costs? How does it influence export
performance? It is better if you can take an example?
7. Could you talk more about the factors of entry costs? Please specify.

**Capital sources**
1. Does your company have the stable professional capital sources such as the loan from the bank?
2. If your company has the loan, is it easy to get it?
3. How do you think about the capital sources, is it important for your company, for example, when your company encounter with the problem like the capital turnover?
4. Can you specify how capital sources influences export performance or give an example?

**Institutional Support**
1. Are there some government export assistance programs or export promotion agencies in your product area or physical area?
2. Are there some government incentives, like the access to low interest loans? Is it easy to get? Does it affect your export behavior?
3. Can your company get the export rebates? Is it important to your export performance?
4. Can you specify how institutional support influences export performance?

*Now I would like to move to a different topic.*

**B. Firm-specific factors**

**Firm size**
1. According to your previous experience, in general, do the bigger firms export motivation stronger than the smaller firms?
2. Does the firm size influence your company export performance?
3. From the resource-based view, does your company have sufficient in managerial and financial resources? Does it affect your export performance?
4. Could you specify how firm size indirectly influences export performance?

**Previous experience**
1. Does your company have the experience of exploring foreign markets?
2. When your company enters into a new market, does your previous experience play the important role?
3. When your company meet some serious problems in exporting, can your previous experience be helpful?
4. Is it necessary for a SME to have experience before exporting?
5. Could you specify how previous experience influences export performance? Could you give an example?
Firm competencies
1. Are there some technology innovations in your company, like developing new products for certain market or improve the product efficiency? Are they influence the export to a large extent?
2. Does your company have the competitive advantage among the similar companies in your field? Is it influence your export performance?
3. Are the quality of the distribution and delivery high in your company? How do they influence the export performance?
4. How do you think about the management of the product and staff in your company? Is it positive to the export or not?
5. Could you specify how firm competencies influences export performance?

Firm network
1. Does your company have good relationship with the local suppliers or fitting manufacturers? Does it affect the price superiority and further affect the export performance?
2. Does your company have good relationship with the trade companies in China? If you have, are the trade companies influence the export performance to a large extent?
3. Does your company have network in foreign markets? Are they helpful when you do the international trade?
4. Could you specify how firm network influences export performance?

Now I would like to move a different topic.

C. Decision-maker factors

International orientation
1. Does the manager in your company receive the foreign education or have the education of business? Do you think it is important to the export of your company?
2. Does your manager have experience with foreign markets, if not, does he/she have the efficient experience with domestic markets? Is it important to the export performance?
3. How is your manager’s attitude towards export, strong motivation or not?
4. Could you talk about how international orientation influences export performance?

Contact networks
1. As a manager, what kind of network does he/she need to do with the export activities?
2. Is your manager good at expand new network? Does it affect the internationalization?
3. Could you please specify the relationship between the personal network of the manager and the company’s export performance?
4. Can you specify how manager’s network influences export performance? Could you give an example?
**Previous experience**
1. Does the manager have the previous experience of extra-regional expansion? How it influence the export?
2. What other factors do you think may influence the company’s export performance according to your company’s experience? Could you give one specific example?
3. Over all, what factors are the main factors influence the similar companies’ export performance in your industrial district?
4. Could you specify how manager’s previous experience influences export performance?

*Thank you for your participation!*