Master Thesis
The Internationalization of Chinese Manufacturing Born Global Companies

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Hanjun Huang and Zixin Zeng
Dedication

Dedicated to our parents, Liju Chen and Xinmin Huang (Hanjun’s) and Maonu Yang, Shunshan Zeng (Zixin’s) for their support, both moral and financial.
Abstract

Due to the globalization trend, the internationalization of Born Global—a special kind of international SMEs (small and medium enterprises) has become a new practice in the last decades. The previous literatures more focused on the typical high-tech Born Globals in developed countries, for example Sweden or Australia. However, according to the widely accepted Born Global’s definition, many Born Globals exist in traditional manufacturing industries as well as in developing countries such as China. In our research, we decided to choose Chinese manufacturing Born Globals’ internationalization as our topic. More specifically, we are interested in these Chinese manufacturing Born Global’s internationalization motives, processes, and success factors. Based on both traditional Western literatures and Chinese literatures about Born Global theories, we establish theoretical frameworks of the three aspects above. Some comparison between Western and Chinese literatures can also be seen in our research.

We use qualitative case study in our research. According to the definition we choose, we select two Chinese manufacturing Born Globals as our case companies. Primary data was collected in the form of questionnaires and personal interviews by Skype phone. After necessary transcription steps, the empirical finding part is represented following the structure of theoretical parts.

The analysis part brought some interesting conclusions. Firstly, apart from avoiding domestic competition, we also find Chinese manufacturing Born Globals’ internationalization motives include seeking global resources, high profits, and preferential policies which only exist in Chinese literatures or practice. Secondly, we pointed out these Born Globals’ internationalization process stages similar to the speed-up “Establishment Chain” which belongs to “Uppsala Model”. Finally, through our analysis, we found some critical factors during these Born Globals’ internationalization for example entrepreneur’s international knowledge or experience, abilities, personal networks as well as the innovation culture, entry strategy geographic location and so on. Especially, we find a new factor “political and economic background” in China’s special environment. In addition, we also explained how these factors function and on which internationalization stage they function.

Apart from using Chinese literatures, we also introduce Chinese macro economic environment and Chinese business culture in our research to make it more valid.
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1. Introduction

In this chapter, a general background of this research area will be presented for example the attention to the Born Global phenomenon, the definition and characters of Born Global companies as well as the internationalization process and determinants. Previous studies from both developed countries and China will be referenced here. Furthermore, we’ll give out our problem discussion, research purpose and questions.

1.1 Background

With the emerging and development of global economic integration and new ventures, more and more companies go abroad to seek international opportunities and compete in international market. Traditional international business theories focus on MNEs (Multinational Enterprises) who possess a lot of resources. According to these traditional theories, international companies start their business in domestic market and then based on their accumulated resources such as international market knowledge, then go abroad through a slow and incremental internationalization process (Johanson and Wiedersheim-Paul’s, 1975; Johanson and Vahlne, 1977).

However, after the 80s, the process of global economic integration was accelerated, the breakthrough and widely used of information and Internet technology, the changing market condition for example the specialized market structure combine together speed up firms’ internationalization (Madsen and Servais, 1997). Last decades, a special kind of international ventures named “Born Global” emerged. Different from the international firms described in traditional internationalization theories, Born Global companies are international-orientated and start internationalization at their inception attracted scholars’ interest with its high international level capital, technology, human resource and markets (Rialp et al., 2005; Madsen and Knudsen, 2003; Zahra and George, 2002; Oviatt and McDougall, 1994).

There are two widely accepted definitions of Born Global, from a qualitative perspective, Oviatt and McDougall (1994) use a similar term “international new venture” and define it as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries”. Differently, Knight and Cavusgil (1996) use a quantitative definition conceptualize Born Global as firms established after 1976, with foreign sales accounting for 25% or more, after having started export activities within three years of their inception. Furthermore, there are also some other scholars combine these two definitions such as Andersson and Wictor (2003).

Usually, Born Global companies are characterized by unique products which address different inche-markets (the markets on which specific products are focusing) (Wictor, 2006). The unique products are created by innovative skills so that the typical Born Global companies usually exist in high-tech industries. Some other researchers argue
(i.e. Andersson and Wictor, 2003) that these companies can also be found in traditional and mature industries but not only in high-tech industry. Firms in small nations show more tendency to become Born Global companies because of the limited market scale of their home countries (Andersson, Eriksson and Lundmark, 2006).

Rapid but not gradual internationalization process is Born Global’s most obvious difference from the traditional “stage model”. According to “Upssala Model”, internationalization is sequence of a series of incremental decisions and also a gradual process with the accumulation of experimental knowledge of foreigner markets and operation (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). The emerging of Born Global companies contradicts with the Uppsala Model and also arouses some scholars’ doubt of Upssala Model’s validity (Hashai and Almor, 2004; Moen and Servais, 2002; Anderson, 2000; Madsen and Servais, 1997; Oviatt and McDougall, 1994). However, because of the complex of Born Global phenomenon, the comprehensive theoretical explanations and models of Born Global’s internationalization process are still lacking (Knight and Cavusgil, 1996; Oviatt and McDougall, 1999; Moen and Servais, 2002).

The findings so far have shown that there are many factors influence the Born Global companies’ internalization. The growth of a Born Global is clearly associated with high innovative skill (Knight and Cavusgil, 1996; Madsen and Servais, 1997). The geographical location of Born Global’s activities is determined by the founders’ and partners’ previous experience as well as economic capability or customer related factors, also Born Globals rely more often on supplementary competencies sourced from other firms; in their distribution channels they rely more often on hybrid structures such as network partners, joint ventures (Madsen and Servais, 1997; Crick and Jones, 2000). In Andersson and Wictor (2003)’s study, they emphasize the factors entrepreneurs, industry, globalization and networks and try to establish a conceptual framework to explain the internationalization of Born Global companies.

### 1.2 Problem Discussion

Most of the former researches about Born Globals are within Europe or Australia these developed industrialized countries but not developing countries or emerging markets. However, Andersson, Eriksson and Lundmark (2006) state that literatures should be complemented with country-specific and through their research, they find the internationalization of Malaysian furniture firms is rapid and traditional stage model is not suited for them. Here, we can also see the industry-specific that Born Global exists in traditional industry as well.

After about 30 years “Closed-door Policy”, China launched its unprecedented “Reform and Opening-up Policy” in 1978. The reform involved almost all aspects of the society and the most pioneering creation was in the economy-Chinese government changed the “Planned Economy” into market economy. Due to the nature of socialist
country, the Chinese market economy is quite different from the Western market economy which orientated by market itself, it is called the “Socialist Market Economy” which affected by the government a lot. From 1979 to 1984, Chinese government decided to open three areas as special economic zones and 14 port cities to the world. These zones and cities cover almost the whole east coast line of China and become the earliest opening areas. Supported by powerful government, these areas get more resources to develop infrastructures and enjoy a lot preferential policies. The tax free or tax rebate policies as well as cheaper capital and labor prices attracted more and more foreign investors came to China to establish manufacturing companies. Be restricted for a long time, Chinese people began to open mind and started business with full passion. Affected by the investment flow from abroad, going to international market also arose among the domestic companies or in the specific areas such as Zhejiang Province which has thousands years of business culture tradition. From then on, the boom of export-orientated economy started in China and became the main driving force of China’s national economy until now (Anon, 2011a). Under this economics context, a lot of Chinese manufacturing Born Global companies generate and develop. Most of them are located in developed areas of China and cover both high-tech and traditional industries. With the speed up of China’s economy, many companies have the situation to achieve fast internationalization. According to Zhu (2008), many Chinese Born Globals without famous brands or not been familiar by public while they still have incredible internationalization speed.

According to Li and Zhou’s (2009) research on four Chinese Born Global companies, majority of these companies are engaged in traditional manufacturing industries and traditional export business, and their profit-orientated principles mostly influence their choices of markets and their internationalization process. It’s quite different from Madsen and Servais’s (1997) opinion: Born Globals from smaller nations have various products while Born Globals from bigger nations are limited to high-tech products.

About the internationalization process theories, mixed and improved conceptual approaches toward a more holistic understanding of Born Global internationalization process are needed (Riapl et al., 2005). Most of the Chinese researches about the internationalization process are lack, some of them give out some obscure opinion for example Chinese Born Global companies’ internationalization pattern is greatly affected by their exportation (Li and Zhou, 2009). Different from the lag of the relevant Chinese literature, as the development speed of China, Chinese Born Globals’ internationalization process is rapid. As we all know, China only uses about 20 years to finish the change from an isolated country to the world manufacturing base as well as one of the biggest exporters. Exportation as well as capital construction becomes the main driving forces of China’s economy. Meanwhile, a lot of small or medium sized export-orientated enterprises become the main power of China’s export economy. Many of these manufacturing enterprises can be considered as Born Globals (Zhu, 2008; Li and Zhou, 2009). It arouses our interest to investigate the Chinese
There are large amount existing theories about the influence factors of Born Global companies’ internationalization for example entrepreneur, network, industry, knowledge or experience (Knight and Cavusgil, 1996, Madsen and Servais, 1997, Andersson and Wictor, 2003). Due to the special economical or market environment of China as we mentioned above, influence of some factors according to former theories maybe not significant but some other factors not been noticed by western researches may play important roles. Chinese socialist market economy grants the government more influence on business than other countries. The government is described by both domestic and foreign enterprises as “the biggest boss” in China. It may also be essential factor worth to be researched. Furthermore, the specific business culture in China as we mentioned also affects the way how Chinese Born Globals do the international business as well as their successful internationalization. In Chinese business culture, the term for network or relationship is “Guanxi”. It means a special relationship between individuals which they can make unlimited demands on others (Fang, 1999). Different from the definition of network in Western, Guanxi is a more utilitarian principle than emotional which based on family or friendship with overtones of unlimited exchange of favors (Helgesson, 1996). Guanxi pervades the whole Chinese business process not only the relationship with business partners but also with Chinese bureaucracy. Actually in China, some officials are involved into business so that some actions which are inhibited by Chinese government can be facilitated by Guanxi. It is a very typical business culture in China which necessary to enterprises to learn. In additional, decisions are made from top to bottom in Chinese system (Helgesson, 1996) which means the government and entrepreneurs have superior power and influence. Highlighting the importance of family is another aspect of Chinese culture. Sometimes, in international business, we can see the Chinese loyalty to family extended to the loyalty to country because country is the bigger family in Chinese culture. The loyalty of the overseas Chinese to their homeland is reflected in their investment. About 70% of the Chinese capital inflow comes from the overseas Chinese who mainly come from Hong Kong, Fujian and Singapore (Chen, 2001). Ye (2009) find the industry cluster which provides resources such as information, capital and human resource through network in China can greatly affect the internationalization of Born Global. In China, most of the industry clusters concentrate in areas which have long business history and strong business culture for example Zhejiang Province. The goods manufacturing and business in Zhejiang was prosperous in ancient China and due to the geographic location, the people in Zhejiang started international handcraft goods trade with Japan or Britain in Qing dynasty about 100 years ago. Flexible thinking, the sensitivity of market opportunities and adapting to changing market conditions become main characters of Zhejiang businessmen (Zou, 2007). Combined with the Guanxi between each other, the Zhejiang businessmen have huge business network not only in local areas but also in worldwide scale.
Overall, on the base of both western and Chinese relevant theories, we find that specific kind of Chinese manufacturing Born Globals grow under the Chinese political and economic background. These political and economic factors combined with Chinese business culture make the Chinese Born Globals quite different the Born Globals showed in Western literatures. Consequently, we consider the Chinese manufacturing Born Globals and their internationalization is interesting topic.

1.3 Purpose of Thesis

One of our purposes is trying to find out the motives of Chinese manufacturing Born Globals’ internalization. Different from the description in Western literatures that Born Globals go abroad because of the limited domestic market, Chinese manufacturing Born Globals face really big domestic market. It arouses our interest to study the internationalization motives of Chinese manufacturing Born Globals who are greatly involved in Global manufacturing. Born Global’s internationalization process is always an interesting topic among this research field. Undeniably, Chinese manufacturing Born Globals’ internationalization is rapid. We also want to know these Chinese manufacturing Born Globals’ internationalization process, more precisely, whether they look like what “Uppsala Model” describes or not, whether they have their special internationalization process stage. Besides that, we try to find the reason behind the internationalization process these Chinese manufacturing Born Globals choose. A lot of success factors contribute to Born Globals’ rapid internationalization. When we discuss the Chinese manufacturing Born Globals’, we consider that since the economic and political backgrounds, the business culture in China are quite special, these Born Globals’ critical internationalization success factors may be a litter different from the Western. It also becomes our last purpose. We aim to distinguish these critical internationalization success factors which are suitable for Chinese manufacturing Born Globals as well as explain how they function.

1.4 Research Questions

Why Chinese manufacturing Born Global companies attempt to start internalization?
How is Chinese manufacturing Born Global companies’ internationalization process?
What critical success factors influence Chinese manufacturing Born Global companies’ internationalization process?
2. Literature Review

In this part, a theoretical framework which includes the definition of our main concept-Born Global, the theories about internationalization motives, common process and influential factors of Born Global companies’ internationalization will be formulated. Except the well-known traditional western theories in this research area, some Chinese Born Global theories will also be presented. Due to the specific theories about manufacturing Born Globals, here we choose all the theories from a general sense of Born Globals.

2.1 Definition of Born Global

According to Rasmussen and Madsen (2002), the firms, which start international activities right from their birth, joint their ventures without prior experience and enter distant markets, multiple countries at once, are often reported in empirical studies have been labeled International New Ventures (Oviatt and McDougall, 1994), High Technology Start-Ups (Jolly, Vijay, Alahuta and Jeannet, 1992), and Born Globals (McKinsey and Co., 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997). Ovatt and McDougall (1994) defined International New Ventures as “international new venture as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”, this definition more focuses on the age and the value added. High technology firms represent a type of firms that, due to their high tech product, may start internationalization right from the beginning. The former one offered rich insights that explain the formation of INVs (Zahra, 2005) while the later one is more specific (Rasmussen and Madsen, 2002). Both of them have some limitation, then Knight and Cavusgil (1996), they used a quantitative definition conceptualize Born Globals as firms established after 1976, with foreign sales accounting for 25% or more, after having started export activities within three years of their inception.

Most of the Chinese researchers (Chen, Hu and Zhao, 2009; Lin and Zhou, 2009; Xue and Zhou, 2007; Ye, 2009; Chu, 2010) refer Knight and Cavusgil (1996) or Oviatt and McDougall’s (1994) definitions but they also state that a clearer definition is required (Li, Shang and Lan, 2007). Specially, Shen (2010) describes International New Venture as “an independent company which possesses potential products in world-wide scale and can achieve accelerated internationalization through entrepreneur’s abilities.”

So in our study, we choose to use the definition from Andersson and Wictor (2003) which combined both the qualitative and quantitative perspectives: “A Born Global is a company that has achieved a foreign sales volume of at least 25% within 3 years of its inception and that seeks to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries”.

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2.2 Characteristics of Born Global

In the study of Australian companies, McKinsey and Co. (1993) mentioned that firstly unlike the traditional companies, the Born Globals do not see foreign markets as simple adjuncts to the domestic market but they view the world as its marketplace since its inception; secondly Born Globals begin export one or several products within 2 years after they establish and the export at least about a quarter of total sales; thirdly Born Globals tend to be small manufacturers with a significant breakthrough in some process or technology and majority of them are formed by active entrepreneurs, which may have a unique idea or a new way of doing business; fourthly the products sold by Born Globals typically involve substantial value added and the majority of such products may be intended for industrial use. Rasmussen and Madsen (2002) found that in Australia there are several Born Globals are high-tech firms, and the typical firms use well-known technology. They usually standardize production, marketing in a global niche instead of developing customized products whereas experienced higher growth rates than other industries and a large growth in their export compared to their home-market sales. Andersson and Wictor (2003) indicated that Born Globals in Sweden are not only found in high-technology industries, but also within niches in mature industries. Meantime the survey of the Born Global in Denmark said that almost all of the firms consider their competitive advantage built on a higher quality and service than their competitors. Most of them produce standardized products and operate in a highly specialized niche. In fact most of them are not high-tech products (Rasmussen and Madsen, 2002).

2.3 The Motives of Born Global’s Internationalization

According to Dunning’s research (1988), the essence of firm’s internationalization is gaining the advantage by transforming some moveable resource across national border to be combined with immobile or less mobile resource and opportunities. Due to the lack of necessary resources especially the fund, most of the Born Global companies cannot achieve internationalization through the ways such as buying existing units in host countries or establishing facilities step-by-step as Rutihinda (1996) described. Instead they choose exporting to other countries. Bell (1995) finds that many Born Global companies start foreign sales when they establish themselves. The question here is why they want to go abroad or what’s the motive forces them to do that but keen on the domestic market. The motives of exporting sometimes come from the interior of Born Global companies but sometimes due to the external factors and the export behavior can be divided into active export and reactive export (Zheng, 2003).
2.3.1 Market Demand Condition

Domestic demand condition means the quality of available individuals or institutions in the home country and their abilities to consume the firm’s products. Consequently, a larger domestic demand conditions provides firms bigger market and enables firms to benefit from economies of scale (Rutihinda, 1996). However, when the firms face up to small or limited home market capacity, they have to seek foreign market to survive. As Andersson and Wictor (2003) stated, firms in nations with small domestic markets have a higher propensity to go outside than the firms in nations with bigger domestic markets. That’s some parts because of Born Globals focus on niche-market, so even in large countries firms have to sell their specific products to international market (Madsen and Servais, 1997). This has been proved by many cases study from European countries (Rasmussan and Madsen, 2001; Moen, 2002; Andersson and Wictor, 2003). Despite of the consumption ability, culture can also be the reason of limited domestic market capacity. Zhen and Wan (2006) find a Born Global company who produces sex products. It starts to export most of their products from its inception because this kind of industry contradicts to Chinese traditional culture.

The customers’ requirements, market size and market growth potential of target markets also motivate companies’ propensity to internationalize and their entry strategy (Rutihinda, 1996). Madsen and Servais (1997) stated that the increasing specialization and hence the numerous niche markets not only contribute to the emerging of companies who produce specific products or components but also provide them big market. They pointed out that the low technology specialized products can also adapt to the homogeneous niche markets in other countries and these companies can also be seen as Born Globals. Through a lot of case study of Chinese Born Global companies, Zhao (2004) finds some of them choose entry foreign markets after they find specific needs or requirements of customers and then catch the chances. Same as Chinese researcher’s finding, Anderson, Eriksson and Lundmark (2006) find Malaysian domestic market is small and unprofitable but because of production cost is much lower than their target markets, so the western countries have an increasing desire for their products. The needs from foreign markets comprise the motive of their reactive export.

2.3.2 Fierce Domestic Competition

Oviatt and McDougall (1994) argue that the high efficiently developed international market speeds up the competition process. In this environment, in order to compete with other companies that are already go abroad, these firms choose to internationalize at the beginning of their establishments. The two authors also mention that international enterprise can avoid the domestic path dependence by establishing ventures which coordinate multinational resources and target customers in several geographic places (Oviatt and McDougall, 1994). It means Born Global companies
start internationalization at early stage can help them increase independence and competitiveness. It can also be one reason of Born Global Companies’ internationalization. Li and Zhou’s (2009) research reveals the internationalization motives of some Chinese Born Global companies. They find due to the existence of a lot similar firms in the industry of home country, these Born Global companies decide export directly to avoid fierce competition in domestic market. Furthermore, they also find most of the Chinese Born Global companies are profit-orientated which makes the much higher profits they can get from foreign markets compare to domestic markets become the main motive of their internationalization.

### 2.3.3 Seeking Global Resource

Except the market capacity and competition considerations, trying to utilize the global resource is another motive of Born Global companies’ internationalization. Through the research of some Chinese Born Global companies, Zheng (2003) finds these companies hope to gain and combine the global resources such as technology, information and international capital. Therefore, they can increase their competitiveness in international market and get more market share. Many high technology Born Global companies attach importance to R&D through the international resource for example research institutions, relevant companies and universities. At the same time, they also seek financial support from international venture capitals (Zhu, 2008).

### 2.4 Internationalization Process of Born Global

As we know, the rapid internationalization process of Born Global companies is their most obvious character compared to other international companies. In addition, there has been a lot of business literatures about the internationalization of companies such as multinational enterprises’ (MNEs) internationalization. However, the emerging of Born Globals challenges the traditional and wide accepted internationalization process theories. Consequently, more and more attention is concentrated on the process of Born Global companies’ fast internationalization process. Firstly, some traditional internationalization theories will be introduced in this section, and then we focus on Born Global companies’ internationalization process.

#### 2.4.1 The Uppsala Internationalization Model

The famous Uppsala internationalization Model (Johanson and Vahlne, 1977) describes internationalization process as a dynamic and incremental process based on the accumulation of knowledge about foreign market and operation. The definition “psychic distance” is brought forward by Johanson and Vahlne (1977) to explain why the internationalization process is incremental. They look psychic distance as the sum of factors such as language, cultures hindering the information and knowledge flows
between markets. Due to the lack of market knowledge in international operation, companies have to learn it through their own international experience. Gradually, they accumulate the experience or knowledge about how to identify opportunities or avoid risks in international markets. This cost them a long time to achieve internationalization. About the practical internationalization operation, the two authors also argue the choices between agents and sales subsidiary when companies entry a new market. More precise, we can find the roots of this discussion form Johanson and Wiedersheim-Paul’s (1975) research. They create “Establishment Chain” to describe the step-by-step internationalization stages: no regular export activities, export via independent representatives (agents), sales subsidiary, production or manufacturing in foreign markets. Johanson and Vahlne’s (1977) research can be seen as milestone of this research field. However, it also incurs some criticisms. Andersen (1993) criticized the Uppsala Model from explanatory and falsifiability perspectives. According to his criticism, this model does not explain why or how the internationalization process starts, the sequence of states or conditions are not explained, process influential factors are not given out and strategic decisions are neglected.

2.4.2 The Innovation-related Internationalization Model

Except the Uppsala Internationalization Model, the Innovation-related Internationalization Model is also widely accepted. On one hand, different from the former, the later more focuses on Small and Medium Sized Enterprises (SMEs). On the other hand, Innovation-related Model only investigates firms’ internationalization through export behavior while the later stage of Uppsala Model somehow relates to foreign investment. The essence of Innovation-related Model is also emphasizing the learning process but treating it as innovation. That is to say, it considers internationalization as an innovation to a firm (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981). Actually, Innovation-related Model is not a single one but contains several similar models. Based on the research of Wisconsin manufacturing firms, Bilkey and Tesar (1977) conclude a model of firm’s export development process:

1) Management is not interested in exporting
2) Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of exporting.
3) Management actively explores the feasibility of active exporting
4) The firm exports on an experimental basis to some psychologically close countries
5) The firm is an experienced exporter to that country and adjusts export optimally to changing exchange rates and tariffs.
6) Management explores the feasibility of exporting to additional countries that psychologically further away.

A little different from the model above, Cavusgil’s (1980) model shows that the firms are more interested and active during the early stage:

1) Domestic marketing: the firms only sell to home market
2) Pre-export stage: the firms search for information and evaluate the feasibility of undertaking exporting
3) Experimental involvement: the firms start export on a limited basis to some psychologically close countries.
4) Active involvement: exporting to more new countries, direct exporting and increased sales volume.
5) Commitment involvement: management constantly makes choices in allocating limited resource between domestic and foreign markets.

Same as the Uppsala Model, Andersen (1993) also criticizes the Innovation-related Model as lack of proper theoretical support because these researches are more rely on experience and involvement. It also makes it difficult to delimit the certain internationalization stages.

2.4.3 Born Global’s Vague Internationalization Process

The criticisms toward to the internationalization models we mention above not only from the models themselves but also from the new phenomenon Born Global. Oviatt and McDougall (1994) point out that most of the Born Global companies are small sizes, constrained by resources, have little or no experience at beginning and facing up to volatile markets. All of these contradict to characters described in Uppsala Model. Meanwhile, the Innovation-related Model is an export stage model which is more suitable for examining small and medium sized export companies. Export is one step or one way of Born Global’s internationalization, beside that, strategies used to open foreign markets or expand market share are also one part of its international but can’t be showed in Innovation-related model. Overall, both the Uppsala Internationalization and Innovation-related Internationalization models are not fit Born Global’s internationalization process.

The characteristic of Born Global is its rapid internationalization speed, thus, some researchers change their direction to interpret what factors determine Born Global’s fast internationalization process (Oviatt and McDougall, 1999; Moen and Servais, 2002; Oviatt and McDougall, 2005). However, there are rare research try to explain the specific Born Global’s internationalization process and the corresponding internationalization process model. Johanson and Mattson (1988) point out the internationalization process of firm will be faster if the operation is in an internationalized market condition because the need for collaboration across border is higher and through the network in this market, strategic alliance, joint venture and partner are more easily to get. Madsen and Servais (1997) think this network-based approach can fit Born Global’s special internationalization process.

Furthermore, after analyzing 38 studies in this area, Riapl et al. (2005) suggested that a single theoretical framework is inadequate for explaining the acceleration of international operation, rich and robust theoretical explanations are suppose to stem from the combined use of multiple core theories and modern framework. As a result, mixed and improved conceptual approaches toward a more holistic understanding of Born Global internationalization process are needed. According to that, the original
Uppsala based on learning process approach, Innovation-related Model based on innovation approach or the later network-based model (Johanson and Mattson, 1988) are difficult to examine Born Global’s internationalization process Axinn and MatthysSENS (2002) point out the trend now is the mixture of complex learning process, cross-boarding knowledge and resource, net-work and cross-culture perspectives. For example, Johanson and Vahlne (1990) upgrade their Uppsala Model by adding a concept “market commitment” form the resource approach. Knowledge and network approaches are combined in Sharma and Blomstermo’s (2003) research to establish a Born Global’s internationalization process model. They find that before entry a new market, Born Global possess some foreign market knowledge which decides their entry modes while the existing knowledge supplied by their network. Overall, the comprehensive theoretical explanations and models of Born Global’s internationalization process are still lacking (Knight and Cavusgil, 1996; Oviatt and McDougall, 1999; Moen and Servais, 2002; Zhou and Huang, 2009). Furthermore, Born Global’s various internationalization processes somehow due to entrepreneurs’ strategic choices, Zhu (2008) suggested further this research from the perspective of Born Global entrepreneurs.

Compare to the lag of theoretically oriented research, empirical researches are more abundant. Usually, these researches give some conclusions or models based on the former theories and more emphasize on what they find during qualitative case studies or quantitative survey. Rialp et al. (2005) described these researches as largely limited to exploratory and descriptive analyses, and thus lack theoretical foundation and academic insight. For example, Hashal and Almor (2004) build an internationalization process model and it proved by their empirical finding of Israel knowledge-intensive Born Global companies. Their research shows this process can be characterized by gradually increased commitment to foreign markets but not necessarily according to traditional stage model though these companies export to closer markets, build up sales subsidiaries and finally engage in merges. Similarly, Lin (2003) argues that Born Global companies’ cognition of internationalization directly decides what internationalization process model they choose while it’s difficult to conclude a formalized model. After interviewing a lot of Born Global companies in Zhejiang Province, she finds many of these companies firstly go to international market through indirect export for example OEM, during this process they learn a lot of knowledge about international market and operation. After that, they establish their own brands and export directly to achieve internationalization. However, though compare to Multinational Enterprises, Zou and Ghauri (2010) acknowledge Born Global’s internationalization speed is faster, they from both the knowledge learning and social capital perspectives argue that the internationalization of Chinese high technology can be characterized by a process with increasing knowledge exploited, acquired and applied in their international market entries. It’s more similar to Multinational Enterprises’ internationalization process but much faster.
2.5 Success Factors of Born Global’s Internationalization

After the 90s, explaining the reasons why Born Global companies can achieve internationalization so faster, in other words, the success factors of Born Global’s internationalization became one of the main trends in this research area. Here, we define success factors as the influential factors of Born Global’s internationalization, which includes its internationalization speed and degree for example international market share.

2.5.1 Success Factors

Oviatt and McDougall (1995) conclude 7 successful characteristics of Born Global: global vision (also see Persinger, Civi and Vostina, 2007) from inception, managers with international experience (also see Andersson and Evangelista, 2006), international business network (also see Andersson and Evangelista, 2006), exploited preemptive technology and marketing, unique intangible asset, closely linked product or service extension, closely coordinated worldwide organizations. Knight and Cavusgil (2004) highlight the critical influential factors innovation culture, foreign market knowledge and organizational capability. Other factors for example awareness of foreign markets opportunities (Oviatt and McDougall, 1999), entrepreneurial cognition (Acedo and Jones, 2007; Chu, 2010; Zhu, 2010), industry condition (Oviatt and McDougall, 1997; Autio, Sapienza, and Almeida, 2000; Fernhaber, Oviatt and McDougall, 2007) and geographic location (Fernhaber, Gilbert and McDougall, 2008). Chinese scholars Xue and Zhou (2007), Chu (2010) point out the entrepreneur’s spirit and international network are the roots of Chinese Born Global companies’ competitive advantage; Li and Zhou (2009) find the entrepreneur’s experience, local network, the international level of the industry and government policies are the main factor accelerate the development of Chinese Born Global companies. There are also many researches emphasize the entrepreneur’s abilities of innovation, risk taken, identifying opportunities, adapting to changing environment and combining the resources (Yang and Zhang et.al, 2007; Chu, 2010). Ye (2009) points out the positive relationship between industry cluster in Zhejiang Province and the development of Born Global companies in these areas.

These multi success factors also be collected into comprehensive influential factors models by some other researchers. Based on the organizational, strategic management, resource and entrepreneurship theories, Zahra and George (2002) establish a complete model to explain the force factors of internationalization speed, degree and scope. They conclude these factors into organizational factors which contains top management team characteristics (also see Oviatt and McDougall, 1995; Burgel and Murray et al., 1998), firm unique resource, firm specific variables such as age, scale and location, growth orientation, financial strength, product and service (also see Knight and Cavusgil, 2004); external environment contains national culture, growth
opportunities, profitability of industry and economies of scale; strategic factors comprised by generic strategy such as low-cost or differentiation competitive strategy, functional strategy such as production or marketing strategy, entry strategy (also see Burgel and Murray et al., 1998; McDougall, 1989). After testing the model by empirical data, he finds both external factors and strategic factors affect organizational factors and finally they three influence the speed, degree and scope of Born Global companies’ internationalization. Zucchella, Palamara and Denicolai (2007) also decide Born Global’s internationalization driving force into four categories: entrepreneurial specific which made up of entrepreneur’s foreign language, education, international and prior working experience; business specific mainly means focalization of strategy; location specific contains clusters and districts; network specific includes formal agreements, social relationship and knowledge sharing at international level. By analyzing data from 144 Italian Born Global companies, they find entrepreneurial specific and business specific factors positively and strongly affect Born Global’s internationalization while the influential relationship of other two specifics are not clear. At the same time, the similar integrative models also show in Chinese relevant research area. Chen, Hu and Zhao (2009) build a model combined the factors of entrepreneur’s international cognition, experience, international network resources and the choice of target market. With more theoretical base, Zhu (2008) design a model contains the original influential factors of entrepreneur’s spirit and enterprise’s social capital and then these two factors affect the knowledge learning process of Born Global and finally work on the degree and scale of internationalization process. Overall, we can summary these success factors into a table and at the same time see the different aspects Western and Chinese scholars focus on.

After describing so many Born Global’s success factors both from traditional Western theories and Chinese related theories, we find some common parts of them and then conclude them into several items: entrepreneur’s international vision, experience, knowledge, working experience, education background, ability and cognition; entrepreneur and enterprises’ local and international network; organization’s financial condition, innovation culture, unique resource, products or service, competitive and market entry strategies; the external industry condition, geographic location and government policies.

In order to see the common and difference between Western and Chinese in this academic research field, we make a table as follow to compare them.
## Success Factors of Born Global’s Internationalization

<table>
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<tr>
<th>Success Factors</th>
<th>Western Literatures</th>
<th>Chinese Literatures</th>
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<td>Andersson and Evangelista (2006)</td>
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<td><strong>Entrepreneur’s Working Experience</strong></td>
<td>Zucchella et al. (2007)</td>
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<td><strong>Entrepreneur’s Education</strong></td>
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<td><strong>Entrepreneur’s Ability</strong></td>
<td>Persinger et al. (2007)</td>
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<td><strong>Local Network</strong></td>
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<td><strong>Innovation Culture</strong></td>
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<td><strong>Product or Service</strong></td>
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<td><strong>Industry Condition</strong></td>
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<td><strong>Government Policies</strong></td>
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From the table above, firstly, we can see that both Western and Chinese scholars pay much attention to the factor entrepreneurs themselves and articles’ amount of each specific item is quite same between Western and Chinese researches. It reflects that no matter in Western and China, entrepreneur is always one of the most important success factors which stems from the characters of Born Global’s small or medium sizes and lacking comprehensive organizational structure.

Obviously, the difference mainly exists in the organizational factors. Chinese researches do not emphasize organizational factors as much as Western researches do, and among about 10 Chinese articles, these is no one mention about the factors such as innovation culture, product or service and competitive or market entry strategies.
Though it some parts due to the limited quantity of articles, we can also consider that Chinese researchers pay less attention on these factors. Here, we infer it related to Chinese Born Global’s specific characters. Different from the Western Born Global companies mostly exist in high-technology industries, Chinese Born Global companies are more concentrate in traditional industries which do not require high knowledge intensity. So the innovation culture or the products have inch market are not so important in Chinese Born Global companies. Quite interesting, government policies are rarely seen in Western researches but we find one in Chinese articles. Though only one Chinese article mentions the government policies, we can still perceive that under Chinese special economic context, the policies from government can greatly affect the industries. However, Chinese government is trying to change the Government-Dominated economy image, so the frequency of policies in academic articles is not as high as before. Furthermore, compare the amount of articles, we find there are more Western articles mention industry condition and geographic location than Chinese articles.

Most of the Chinese scholars cite the Western literatures and then use these theories to test the Chinese Born Global cases to see whether they fit Chinese BornGlobals’ practice or not. During this research process, they may get some conclusion which is more suitable for the Chinese Born Globals’ situation. We can say that Chinese Born Globals literatures are based on Western literatures and rarely with initiation and breakthrough.

Difference also exists in the research strategies Western and Chinese scholars use. We see more case studies in Western researches while Chinese scholars more prefer use quantitative research strategy. Among the above 10 Chinese articles, four of them are previous theory retrospection or argue from the pure theoretical perspective, four of the others use quantitative research strategy while the left two are qualitative case study. Through case studies, Western scholars can get a deep understanding of these Born Globals cases and more easily to answer the “How” and “Why” questions. Chinese scholars more rely on SPSS or Eviews to analyze the empirical data and introduce the internationalization performance indicator such as Born Global’s export percentage into the statistical analysis. From the result of the statistic analysis, they can get the degree of each factors impact on Born Globals’ internationalization. These Chinese scholars consider the result from the quantitative research is more valid and reliable. After contacting with one scholar in China, we know that some Chinese scholars are MBA teacher of business school which makes them more easily to get these data. They get questionnaire responses from their students who are entrepreneurs. According to the result of responses and then they choose the samples which fit the definition of Born Global to do the further analysis.

2.5.2 Conceptual Framework

Analyzing these success factors, we find they can be divided into four main categories:
entrepreneurial perspective, organizational perspective, strategic perspective and external environmental perspective. Here we rearrange these factors under different items. Mainly based on Zahra and George’s (2002) influential factors model, we also absorb some ideas from other models mentioned above (Zucchella, Palamara and Denicolai, 2007; Chen, Hu and Zhao, 2009; Zhu, 2008) and then we rearrange success factors from the table, establish a conceptual model as Figure 1 shows to guide our empirical research.

Compare the Table 1 and Figure 1: Keeping the item “international vision”, we add “entrepreneur’s working experience” to the item “entrepreneur’s international experience” because most of the working experience the authors argue is international working experience. From the entrepreneur’s perspective, we also combine the entrepreneur’s personal “international network” and “local network” into “entrepreneur’s personal network”. Here, we consider company’s international network as “international business network” because most of company’s networks are related with its business partners. Similarly, we divide “competitive or market entry strategies” into “competitive strategy” and “market entry strategy”.

Figure 1: Success Factors Model of Chinese Born Global’s Internationalization

![Success Factors Model of Chinese Born Global’s Internationalization](image)

We assume that entrepreneurial factors, organizational factors, strategic factors and
external environment factors jointly affect Chinese Born Global’s internationalization process. Based on this model, we try to investigate these success factors through the case study of Chinese Born Globals and at the same time, try to complete the lack of Chinese research on the organizational and strategic perspectives.

2.5.3 Explanation of Conceptual Framework

Entrepreneurial Perspective
There are a lot of definitions of entrepreneurs. Here, we use the definition that Born Global entrepreneurs are the people who carry out entrepreneurial actions (Anersson, 2000). Born Global founders or managers are included in this definition.

1) Entrepreneur’s International Vision:
As Oviatt and McDougall (1995) said, global vision is the most important founders’ characteristic associate with success because they don’t bind their business thinking to a single country or culture. These entrepreneurs treat the global market as their target market and try to seek competitive advantage from the inceptions of their business (Persinger, Civi and Vostina, 2007). Chen, Hu and Zhao (2009) find the Chinese Born Global entrepreneurs in their case study all have global visions, have strong desire to compete in international markets and seek international opportunities actively.

2) International Knowledge and Experience:
We discuss knowledge and experience as one aspect of Born Global entrepreneurs’ characters because we find many literatures consider the international knowledge mainly comes from entrepreneur’s international practical experience. During Born Global’s internationalization, entrepreneurs’ international knowledge such as how to get and use international relationships provides particular advantages because it increases the quality of organizational routines (Knight and Cavusgil, 2004; Zhu 2010). Oviatt and McDougall (1995) think founder or manager’s international experience is necessary to Born Global companies’ internationalization. These experiences contain cross-border conduct, risk of exchange rate, communication skill and culture conflicts greatly reduce the international business risks and increase efficiency. Entrepreneurs’ global vision is also some part comes from their international knowledge and experience. According to Chen, Hu and Zhao’ (2009) research, the entrepreneurs with the experiences such as working experience in relevant industries, international companies, life experience abroad and international marketing experience can help these Born Global entrepreneurs start their business more easily and successfully.

3) Education Background:
Compare to international knowledge and experience, the influence from education background is not so strong but Zucchella, Palamara and Denicolai (2007) point out that among the education background, the knowledge of foreign language is the most obvious fundamental precondition. As on aspect of entrepreneur’s
characteristics, Zhu (2010) think the education background can in some terms affect entrepreneur’s specific mind and thinking ways which then influence the choice of companies’ strategies.

4) Entrepreneurial Cognition:
Acedo and Jones (2007) consider three concepts make up entrepreneur’s cognition and through their research, they find international orientation lead higher level of entrepreneur’s proactivity and lower perception of risk, entrepreneur’s tolerance to ambiguity can lower the risk and finally accelerates Born Global’s internationalization. Chu (2010) considers the desire to success, the sensitivity of opportunities and the courage to overcome difficulties make up the basic requirements of Born Global entrepreneur’s cognition. Similarly, Zhu (2010) find entrepreneur’s entrepreneurial cognition tightly related to entrepreneur’s orientations of starting venture, international knowledge learning, risk taken ability and action.

5) Entrepreneur’s Abilities:
Chu (2010) establishes a complete model to test the influence entrepreneur’s abilities on Born Global companies’ internationalization. He finds entrepreneur’s innovative and risk-taken abilities affect Born Global’s innovation and size; the ability of identifying and using opportunities helps Born Globals entry new markets faster; the ability to adapt to changing environment makes Born Globals survive in fierce international competition; efficiently combining the resources increasing Born Global’s competitiveness; communication and coordination abilities make sure sustainable development. Similarly, Persinger, Civi and Vostina (2007) also highlight the risk-taken ability.

6) Entrepreneur’s Personal Network:
Andersson and Evangelista (2006) emphasize the importance of Born Global entrepreneur’s personal network. He points out entrepreneurs with industry experience could use the contact to expand their own business and it is also helpful to find financial support and find strategic partners in foreign markets. Li and Zhou (2009) also acknowledge the function of personal network especially at the beginning of Born Global’s internationalization.

Organizational Perspective
1) Financial Condition:
There are not so many theories about the relationship between Born Global’s internationalization and its financial condition. Zahra and George (2002) mentioned in their research that the financial strength positively significantly affect the speed and degree of international sales. Leverage is also positively associated with the degree of internationalization. The joint venture comprised by Born Globals and some large firms who possess adequate capital and advanced technology can accelerate Born Globals’ internationalization through integration of these resources (Shen, 2010).
2) Innovation Culture:
Innovation mainly comes from firm’s internal R&D based on the accumulated knowledge and imitated innovation from other firms (Lewin and Massini, 2005). Through their research, Knight and Cavusgil (2004) get the conclusion that strongly innovative culture of Born Global firms supports business by developing particular knowledge. These kinds of knowledge force the development of organizational capabilities and finally support the early internationalization of Born Global firms and their performance in international market. Furthermore, innovative activities support opening of new markets and reinvention of firm’s operation.

3) Unique Resource:
In a worldwide area, products or service are easily to be imitated, due to the few resource, Born Global companies must depend on some intangible resources such as unique knowledge to sustain competitive advantage (Oviatt and McDougall’s, 1995; Xue and Zhou, 2007). Zahra and George (2002) not only state that firm’s unique assets such as product innovativeness influence the internationalization process but also they think reputation and networks of a Born Global company can significantly influence the speed and degree of internationalization. Except possessing the unique resources, Zhu (2009) more highlights the seeking and integration of these unique resources.

4) Product or Service:
Because of the limited resource of Born Global companies, they must use their unique resource which derived from original competitive advantage to continue the innovation of the product and service with extension (Oviatt and McDougall, 1995). Knight and Cavusgil (2004) believe that technology competence, unique product development and product quality focus provide organizational activities related to R&D, knowledge development, play an important role in positioning Born Globals for international success.

5) International Business Network:
According to Oviatt and McDougall’s (1995) opinion, start-ups especially the international new ventures (Bron Globals) are more dependent on supportive international business network, they can’t survive without trusted and trusting financiers, suppliers and distributors. Zucchella, Palamara and Denicolai (2007) prove that network mainly the knowledge sharing at the international level with other firms shows the positive association with Born Global’s internationalization. The international business networks provide Born Global companies the necessary foreign market knowledge and experience, reduce the uncertainty and risk from the target market and make them get into international markets more easily (Chen, Hu and Zhao, 2009).

Strategic Perspective
1) Competitive Strategy:
Oviatt and McDougall’s (1995) find the way Born Globals to overcome their inexperience and small size is to use the competitive strategy: to be the first to market distinctively valuable product or service. Same opinion can also be seen from Zahra and George (2002), they think Born Global’s competitive strategies such as low-cost strategy and products differentiation strategy are positively related with internationalization because these strategy help firms to entry and occupy foreign market fast. Usually, these competitive advantages come from the intangible unique resources such as knowledge or human resource.

2) Market Entry Strategy:
Market entry strategy is very important to Born Global companies. After comparing the domestic and international entrepreneurship, McDougall (1989) finds that international new ventures (Born Global) try to seek market entry strategies for example developing and controlling numerous distribution channels to penetrate foreign markets. And these international new ventures’ entry strategies are more various, aggressive and large scale across national borders. However, this opinion is different from Burgel and Murray et al. (1998)’s. They think because of lacking necessary resource like network and capital, new start-ups tend to choose low-resource entry modes for example using intermediaries such as trade companies rather exporting directly. They also find a positive relationship between the firm size and the dependence on intermediaries. We think that compared to other international firms, Born Globals are more active to carry diverse market entry strategies. However, at the beginning of their internationalization, they prefer low-resource market entry mode more.

External Environment Perspective
1) Industry Condition:
Industry condition influence firms’ internationalization a lot. The internationalized competition among some industries force firms move into foreign markets and a lot of international new ventures (Born Globals) exist in high-technology industry which has more international opportunities (Oviatt and McDougall, 1997). Autio, Sapienza and Almeida’s (2000) research also supports this opinion because they find positively and significantly relationship between the industry’s knowledge intensity, imitability and firm’s international sales. They give their explanation that firms with highly imitable products or knowledge bases will accelerate their internationalization to avoid eroding this advantage. Fernhaber, Oviatt and McDougall (2007) systematically analyze the influence industry structure exert on international new venture’s (Born Global) internationalization. They get the conclusion that: international new venture’s internationalization more happens within the industry in its growth stage; the more competition in the industry the more firms tend to internationalize; international new venture more exist in high-technology industry; the greater the local industry internationalization and global integration the more international new ventures in this industry. However,
according to Xue and Zhou (2007), the intensity of knowledge more affect the high-technology industries while to the mature or declining industries, cost advantage and marketing skills are more important.

2) Geographic Location:
Here we only discuss Born Global’s location in industry cluster\(^1\) area. Fernhaber, Gilbert and McDougall (2008) confirm the positive relationship between industry cluster and international new ventures’ (Born Global) internationalization. They find within the industry cluster, international new ventures entrepreneurs are more conscious of international opportunities, the firm themselves can share more information, opportunities through the network in the cluster and they can also get venture more easily. Similar conclusion also given by Chinese Master student Ye (2009). After quantitative research on Chinese Born Global companies, he finds most of them come from some specific industry cluster area such as Zhejiang Province or Zhujiang area. In the export-orientated economic environment, he concludes network-based knowledge learning and human resource movement as well as the infrastructure among the industry cluster greatly stimulate the internationalization of Born Global.

3) Government Policies:
The government policies or support as one influential factor of Born Global’s internationalization is rarely seen in western literatures. However, due to China’s specific socialist market economy, government’s impetus can’t be neglected. Li and Zhou (2009) argue that many Chinese local governments encourage the exportation of firm and policies such as export tax rebate and launching international exhibitions which in some terms speed the internationalization of Chinese Born Global companies.

2.5.4 Success Factors to Be Further Analyzed

Since we decide to focus on Chinese manufacturing Born Globals, we consider the success factors of these companies’ internationalization must be different from the factors we collected in conceptual framework which are more general. In addition, we also think it is better to analyze the critical success internationalization factors because the result of investigating every factor is that difficult to get deep understanding of how these factors function but shallow overall analysis. The other factors which we don’t choose can be complementarity of our analysis.

Among the entrepreneurial factors, we choose entrepreneur’s international knowledge

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\(^1\) Industry Cluster: a cluster of related institutions or support institutions which are geographically close to each other. They stay in the same specific industry and combined together because of the commonalities and complementarities. Usually these institutions conclude similar companies, upstream suppliers, downstream distributors and some financial and government institutions (Ye, 2009).
and experience, entrepreneur’s abilities and personal network. Different from the domestic business, the international market is more complex. We think the Born Global entrepreneurs with international knowledge and experience are more familiar with the international market and also know more about how to compete in it and get more necessary resource from it. As we argued before, because of the “top to bottom” decision-making pattern in Chinese business culture, the importance of entrepreneur in Chinese enterprises is more obvious which we can also see from the Chinese literatures about the Born Global entrepreneur’s abilities. Entrepreneur’s network especially the special Chinese network “Guanxi” is essential for Chinese Born Globals to get vital resources. These make them become the key factors of our analysis. The reasons we ignore other factors are: we think once the entrepreneur decide to compete in international market, the international vision which means treating global market as target market and seeking competitive advantages in global scale (Persinger, Civi and Vostina, 2007) is necessary to entrepreneurs no matter they have the international vision at beginning or not; as we know, most of the small or medium sized private companies’ entrepreneurs in China have no high education background at the beginning of their entrepreneurship while they can still get great achievement so that we also consider it’s not an essential factor; when we look into the explanation of entrepreneur’s cognition, we find international orientation, sensitivity of opportunities, courage to overcome difficulties which described by Acedo and Jones (2007), Chu (2010) are quite similar to entrepreneur’s international vision and abilities, so we think the entrepreneur’s ability can somehow cover this aspect.

From the table 1, we can see that the Chinese researches about Born Globals’ innovation culture and product or service are lack. We infer it in some terms because most of the Chinese manufacturing Born Globals exist in traditional industries which do not require high technology and innovation thereby their products can also not be considered as unique and competitive. Similarly, unique resource of Born Globals usually be considered comes from their unique technology or knowledge which are also related with innovation. Consequently, among the three factors we only choose “innovation culture” and we infer it can cover most part of other two factors “products or service” and “unique resource”. Our topic is Chinese manufacturing Born Globals which is may also weak at these aspects so that we want to choose the factor “innovation culture” to see whether it is not important to these companies’ internationalization as well as the reasons behind it. To export-orientated manufacturing companies, international business is not independent while it needs the support from the investors, suppliers and distributors. Furthermore, many companies actually exist in international industrial chain which makes the connection with their international partners more important. As a result, we also choose international business network as one of the critical success factors. About the financial condition, we think to any international companies, enough capital support is always the guarantee of faster internationalization so that we don’t consider it as a typical Chinese Born Global’s critical success international factor.
Mostly, Born Global’s competitive strategies come from the competitive advantages for example the low cost or unique products which occupy big market share of some inch markets. Obviously, due to China’s low labor and material prices, most of the Chinese international companies but not only these Chinese manufacturing companies have the cost advantage. Though low cost is the main advantage of Chinese Born Globals’ internationalization, we don’t think this is very unique competitive advantage only belongs to Chinese manufacturing Born Globals. Meanwhile, as we argue above, we decide choose “innovation culture” as one of the critical success factors. Since the unique products also stem from the unique knowledge or innovation so that we believe “innovation culture” is enough to explain the competitive strategy in this aspect. Furthermore, for most of these Chinese Born Globals, how to use present resource or get more necessary resource to entry international market is essential during their internationalization. Overall, here we only choose “market entry strategy” as critical international success factor from the strategic perspective.

As we indicated, Born Global phenomenon more happens in high-technology industries or the industries in growth stage. Chinese manufacturing Born Globals more exist in traditional industries which are in mature stage so we infer the influence of the factor “industry condition” may be not obvious. Industry cluster which belongs to “geographic location” is emphasized in Chinese literatures and many industry cluster areas have business history or culture since ancient time. Except the theories, we can also see form practical that a lot of export-orientated companies concentrate in some specific areas such as Zhejiang province and Guangdong Province where the industry cluster is obvious. We suppose geographic location to be an essential success factor. There is no doubt that the influence on export enterprises from Chinese government is stronger than many other governments, so that the “government policies” should be incorporated in the critical success factors.
3. Methodology

3.1 Research Approach

There are two main research method approaches used in thesis to treat knowledge—inductive and deductive. The former is more tend to be a theory building process. The author starts with observation of specific instance and tries to establish generalization of phenomenon through investigation (Hyde, 2000). In addition, Sackmann (1992) argued that an inductive was needed when investigate the existence and formation of organizational subcultures. Opposite to it, deductive approach focuses on explaining the certain phenomenon by using the existed theories (Patel and Davidsson, 1994). It can be concluded as a theory testing process which starts from an established theory or generalization and then try to use the theory to prove the specific instance (Hyde, 2000). Bryman and Bell (2007) argues deductive theory represents the commonest view of the nature of the relationship between theory and research.

Overall, here we use the deductive approach. After reviewing a lot former researches, we establish our own framework. On the base of that, we choose companies which meet the definition of Born Global and then try to use the empirical data we get to find whether the empirical we find accords to the theories or not. This is also a process of explaining the Chinese manufacturing Born Global phenomenon by using both the Western and Chinese literatures. During this process, we also try to find some new findings to complete the present theories.

3.2 Research Strategy

Another perspective of the research methods is the choice between qualitative and quantitative methods. Qualitative is more emphasizes on gathering a deep understanding of behaviors and the reasons govern these behaviors (Denzin and Lincoln, 2005). Different from quantitative method, large amount of statistic data is not required here and the forms of qualitative analysis are various. Specific cases can be selected purposely and rely the studies on them. At the end of the research, general conclusions are given. It is also different from quantitative method which needs to prove some certain hypothesis at the beginning of researches. Consequently, compare to quantitative method, qualitative research method is more flexible because during the process we can change our problem, design of the study, data collection and analysis (Jacobsen, 2002).

Since given the paucity of knowledge about Chinese Born Globals contents, as we want to examine the internationalization process, the success factors of the Chinese manufacturing Born Globals’ internationalization, a qualitative approach is identified as appropriate. Our study is about Chinese manufacturing Born Global, an area in
which there is still lack of theories, enough data and empirical evidence, we think that
the qualitative approach will serve more effectively achieving the goal of our study.
According to Bryman and Bell (2007) qualitative research is considered to generate
and develop new theories, whereas quantitative research has the aim to verify and test
previous theories, and qualitative suits better with studying more in-depth social
phenomena and facilitates the gaining of more knowledge and understanding of a
particular subject, and instead of emphasizing on quantity of data’s collecting and
analysis, qualitative research is focusing on words which can find out the answer for
research question that quantitative cannot. Soy (1997) also mentioned that qualitative
research method can examine contemporary real-life situations and provide the basis
for the application of ideas and extension of methods. In order to get the deep
understanding of Chinese manufacturing Born Global companies, we choose two
typical case companies to carry our qualitative research. During the case study, we not
only use existed theories to examine the phenomenon but also more importantly try to
get some new findings to complete the present theories. Meanwhile, we conduct this
qualitative case study under China’s political and economic background which makes
the application of the thesis more suitable for Born Globals in such special situation as
well as show the particularity to Western research filed.

3.3 Research Design

3.3.1 Case study

According to Yin (1994), case study can be used to investigate a contemporary
phenomenon within its real-life context especially when the boundaries between
phenomenon and context are not clear evident. During this process, multiple sources
of evidence can be used. Case study is more suitable for research approach when
“how” or “why” questions are posed or the research approach is more close to
questions of process. Due to the researchers’ limited control of the event, if they want
to explain the complex phenomenon, it is easier to use case study to investigate the
complex and comprehensive factors to show the process to answer questions (Yin,
1994). According to Soy (1997) case study can bring us to a better understanding of a
complex issue or object and also can add strength or extend experience to what is
already known through previous research. Eisenhardt (1989) mentioned case studies
as a fruitful way of providing a deeper insight into conflicting literature, also
enhancing the generalizability of different theoretical standpoints, which is very
important goal of our study.

As Hyde (2000) mentioned, qualitative method seeks to identify the underlying
concepts and try to find the relationships between them. The data qualitative method
needs usually contains transcripts of interview, observations or documents. A case
study can simplify the deep study of particular instances or phenomenon through the
ways of interviews.
We decide to choose case study to present our empirical findings. The case studies are mainly built on previous questionnaire which is a common tool used in quantitative method, personal interviews and also try to complement it by secondary data such as business magazines and websites. Firstly, we follow some rules to select our target case companies; secondly, we start to look for general the information of these companies such as from websites to know more about them; after contacting with them, we sent the interviewees our structured questionnaires to get know the development of their internationalization process and the success factors; based on the response of the questionnaires, we decide to design semi-structured interview guides according to the outcomes of questionnaires respectively.

3.3.2 Data Collection

Several sources of information can be applied in data collection for example the interviews, observations and documents. About the primary data, here we divide it into two parts- academic data and empirical data.

The main data in theoretical framework part are from school library or school databases in the forms of books, articles. We use the internet access in school library so that we easily get the articles from Google scholar if these articles are in our library’s databases. It largely improves the search efficiency because we don’t need to search in database one by one. We try the key search words as “Born Global Internationalization”, “International new venture internationalization”, “SMEs internationalization” and “Internationalization Process”. Once we can’t find some certain articles in school databases directly, we try to search them in electronic journals of school database according to the names, volume numbers of articles. Apart from the Western databases, we also try to find Chinese articles in Chinese databases. We use accounts of our home school in China and input the search key words such as “Chinese Born Global”, “Chinese International New Venture”.

We get the empirical data directly from the companies. About the types of case companies, we decide focus on traditional Chinese manufacturing export companies. Firstly, we searched some these companies on line and according to the information we get, sent email to them or called them directly. However, after the attempt failed, we started to use all our personal network and family network to find this kind of companies. Finally, we find about five samples, and only three meet the basic requirement the Born Global’s definition we choose in the theoretical part- the foreign sales account at least 25% of the total sales within 3 years after its establishment. Finally, only two companies promised to accept our interview. Following the recommendations of Bryman and Bell (2007,), the proper amount of interviewees that depends on the time available and our supervisor’s expectation, so we choose to use these two cases. One of our interviewees is a product manager in international marketing department while another is marketing manager. From their occupations, we infer they know much about the international markets and their
internationalization.

Two tools-questionnaire and interview are used in our empirical data collection. We consider that some information may lose during the interview because it’s hard for interviewees talk very comprehensively. Take the consideration of that, we decide to send our interviewees our structured questionnaires by E-mails which cover the aspects of general information of the company, their internationalization process and their opinions to the success factors. After we get the response of questionnaires, we look through the answer first, and find some answers are not very clear and some answers can be further asked. Then based on the answers, we design different interview guides to ask some extra and deeper questions. We also booked the interview time with these interviewees in E-mails. Our questions are about the answers which are not clear in questionnaires or the more detailed questions derived from the questionnaire answers. Furthermore, we considered that semi-structured interview guide which uses the open questions “How” or “What” is more suitable to ask for interviewee’s opinion and attitude. Also, it provides more flexibility for interviewer to add new more questions and allow the interviewee to further explain their answers during the interview (Bryman and Bell, 2007). In order to get large and detailed explanation of some responses of questionnaires, we consider the Skype-phone interview is much better than sending questionnaires again. However, we also realize that fixed questions in questionnaire and semi-structured interview guide in some terms limit the answers from interviewees and also affect the quality of empirical findings.

These interviews are finished in the form of telephone interview with the help of Skype and a kind of telephone record software. Both of them cost about 30 to 45 minutes. After these two steps, we get a complete overview of case companies’ internationalization. The disadvantage of this kind interview is that to interviewees, it’s not a comfortable environment because on one hand, during the work time they are very busy and didn’t have so much time to do our interview, on the other hand, we did the interview by phone which made the interviewees a little nervous. During the interview, we also don’t have any face to face communication. It may make us lose some information from interviewees.

The secondary data mainly means the data collected from the Internet. We searched some definitions from Wikipedia and also some Chinese economic context with the help of Google. Besides those, we also use some general information about our case companies from their official website. All of these comprise the second hand data resources of our research.

3.3.3 Case Analysis

During our research, firstly, after the data gathering, according to Gibbs and Taylor
(2005) theory about how to coding, we started to transcribe the record into text of each company, read the whole data, combed our data for ideas and categories, and made some notes beside the text. Coding is also considered by Bryman and Bell (2007) as a main way to managing data. We marked the text, underlined some key words, noted the analytic ideas on our notebook and coded the most significant items, indicated the main idea of the interviewee talking about, eliminated repetition and similar codes. Secondly, recording to our research questions and the codes, we divided these empirical data into different item. After that, we started our analysis part. Most of the time, follow the structure of theoretical framework, we present the previous theories in our theoretical framework as the theoretical support and then the relevant empirical data from the two cases. Two cases are presented separately. The argument in this part is whether the two cases fit the theories or not. If both of them fit the theory, we consider this theory can be supported by Chinese manufacturing Born Global companies. Through the analysis, we also compared the two cases, for example the similarity of their internationalizations and the differences in the success factors about entrepreneurs.
4. Empirical Findings

This chapter will present the empirical findings obtained from 2 Chinese manufacturing Born Global companies distributed in different industries. The presentation of these case companies will be separated and follow the structure of theoretical framework.

4.1 Company A - Tool Manufacturer

4.1.1 Introduction of Company A

Company A is a private enterprise which established in 1996 and specialized in researching and manufacturing diamond tools, power tools and TCT tools. It is a big company with about 1800 employees, possesses about 110,000 square meters area located in Hebei Province. It’s also one of the biggest diamond tools manufacturers in China. Both the domestic and global markets are company A’s target markets. Its export started from 1998 and until 1999, three years after its establishment, the export turnover account about 25% to 30% of the total turnover (Anon, 2011a). It can be seen as a Born Global company.

After 15 years’ development, its marketing network covers almost every province of China about 200 cities. Depart from the success in China, their diamond tools penetrate into approx 30 states of American and 20 countries for example Germany. In recent years, its sale in Southeast Asia is also increasing rapidly and becoming another main export market. In 2009, the turnover achieved 380 million Yuan. With the success internationalization and good reputation, it is a key high-tech enterprise of National Torch Plan, China’s export of electromechanical products to support enterprises. Furthermore, it got the reputation of “2008 China Growing Potential Private Enterprises” (Anon, 2011b).

4.1.2 Basic Information of Company A’s Internationalization

After interviewing the manager of Company A’s international trade department, we get the basic information concludes the motives of their internationalization as follows. Company A started their international business, in other words, started export products at the beginning of 1998. Until now, its overseas sales turnover occupies about 50% of its total turnover. Their main export target markets contain America and Europe and Southeast Asia. At the beginning, Company A only focused on domestic market. Though it achieved great success in domestic market, due to the lack of advanced manufacturing technology, acquiring more information or technology of this industry becomes one of the motives of entering international market. Compared to products sold in domestic market, the profit from average export product is about 20%-30% higher. It is also another motives of A’s internationalization. Furthermore,
with the development in domestic market, A had accumulated some experience then had enough confidence that both the price and the quality of their products can exploit international market share.

4.1.3 Internationalization Process of Company A

According to this manager, although Company A had unclear internationalization vision, it started internationalization because of a specific chance. The founder of this company had a trip in Singapore and met a local business man who also comes from Heibei Province. After some information exchange, entrepreneur A considered it was a chance to open overseas market through the local agent. Consequently, Singapore became the first overseas market. One or two years later, different from the first random chance, the entrepreneur of A decides to enter American market instead of continuing to develop Asian market. The later choices of target markets were with more strategic sense. The entrepreneur realized that American and European markets had very high requirement of the diamond tools and power tools. Apart from that, most of top diamond or powder tools manufacturers are concentrated in these areas. All of these considerations made the entrepreneur felt that the core of competing in international market was trying to enter and survive in American and European markets. After several years’ development in these markets, in recent 2 years, it came back to penetrated into Asian market and at the same time exploits South American market.

About the brand strategy, approx 70% of the export products are OEM\(^2\) (Original Equipment Manufacturer) products while only 30% products use Company A's own brand. According to the manager, that’s because most of the top companies in this industry started their business at 70s and become famous among the customers. So it’s very difficult to enter these markets with a Chinese young brand while OEM strategy is the best choice which does not require so much resource. Related to OEM brand strategy, at the early internationalization stage, exporting through representatives or agents such as trade companies was the main channel to enter international market. It was some parts due to OEM production form that many OEM customers specified some export agents. However, in the later stage, A started to export products with its own brand directly and finally it established its first subsidiary in Singapore in 2004 and then one subsidiary in America and another European office in Germany.

Based on the result of questionnaire and interview, we can conclude A company’s internationalization process as follow: get a chance to start export; regular export of OEM products through domestic export representatives or agents; except the OEM manufacturing, start to export own brand products directly; establish overseas subsidiaries or office.

\(^2\) An Original Equipment Manufacturer (OEM), it means manufactures products or components that are purchased by a company and retailed under that purchasing company's brand name (Anon., 2011c).
Compared to sell their own brand products in foreigner markets through local independent representatives or agents, establishing subsidiaries are more expensive, but in order know the market and similar companies more, the entrepreneur of A company think it is necessary. They dispatch employees to America and Singapore as the senior management team and also recruit some local employees. The main mission of these subsidiaries or office is to be the biggest agent of their own brand products and then developing some downstream agents. At the same time, they also take the responsibility of searching similar local companies and trying to collaborate with them in the aspects of information or technology. It not only helps them to get more OEM customers but also guides the development of their own brands. Until now, A has formed collaboration contracts with some famous companies in American and German markets.

However, Company A’s internationalization process is not so smooth all the time. About the quality of products, many foreign countries have their own quality or environmental friendly certification which means they have higher requirements of the products. Sometimes, the policies of local government can greatly influence A’s export activities. About the price of products, as a lot of Chinese export firms, Company A also meets anti-dumping lawsuits. Though they win some of the anti-dumping lawsuits, it still cost Company A a lot of money and time so that it becomes one of the biggest problems of their internationalization.

Looking back the whole internationalization process, the manager considers that the internationalization process is step by step with the accumulation of international knowledge, experience and the internal organizational innovation.

Figure 2: Internationalization Process of Company A
4.1.4 Success Factors of Company A’s internationalization

Entrepreneurial Perspective:
After the large scale reform of the economy structure, the state-owned factory entrepreneur A worked in faced the decline. Entrepreneur A (the founder) quit his job as a middle level manager in that factory and with the experience of producing machines for coal mining industry, he established company A with some colleagues from the same factory. In other words, before the entrepreneur started this business, he had some relevant knowledge about the machines and tools. Though with bachelor degree, the entrepreneur had no any personal overseas experience or international business working experience and his English was very basic. The average education background of senior management team is bachelor and similar to the entrepreneur, most of them also have no international experience.

During the internationalization process, both the entrepreneur and the management team accumulated a lot of international marketing knowledge and experience. Every year, the management team go abroad to visit business partner or attend international industrial conference. These visiting activities as well as the daily international business operation increase their international trade knowledge and the experience for example how to contact and negotiate with foreign customers.

Usually, the entrepreneur’s vision or abilities directly affect the development of a company. According to the interview, at the beginning, entrepreneur A did not attempt to enter the international market. However, once the entrepreneur made the internationalization decision, he showed very strong international vision for example actively exploiting the international markets, organizing regular international visits and seeking the collaboration with other foreign companies, expanding the percentage of export turnover. For instance, at the first year of its export, the entrepreneur realized the overseas demand was much higher than domestic or Asian market, then he took a big risk to buy advanced equipments worth several million from Europe. In the employees’ opinions, entrepreneur A is a optimistic person who is aggressive, has strong desire of achieving success and never give-up mentality. Besides the entrepreneur’s personality, the manager also mentioned the entrepreneur has the abilities such as creativity, identifying and exploiting market opportunities, integrating resources. The manager gave out an example as follow: three years ago, the entrepreneur was on a business trip to Germany, he found some foreign brands products with sophisticated technology have huge market potential but needed to be produced by some specific new equipments. He started to find the suppliers of this kind of machines in Germany and ordered this equipment decidedly. At the end, the increased demand of new products and overseas turnover proved it was a wise decision.

As the manager said above, Company A got the first chance of internationalization through a Chinese businessman also from Heibei Province in Singapore. After several
years export, they decided to establish subsidiary in Singapore with the partner’s help since he got the citizenship there and lived there for many years. After recruited by company A, the man used his local network to recruit some local employees and develop the downstream representatives in Asia. The building of subsidiary in America was quite similar to that in Singapore. Rely on one of entrepreneur’s friends in America, they started their business in huge American market.

Organizational Perspective:
Adequate capital is one of Company A’s biggest advantages compare to other companies. Based on the sound development in domestic market, Company A accumulated enough capital to start internationalization. At 2008, it listed on stock market successfully which provided more capital from public. About the structure of its capital, Company A didn’t get any international capital until now but total domestic capital. The manager acknowledges that, enough capital is a guarantee of its internationalization. They have enough found to put into R&D and exploiting foreign customers.

About the company’s innovation culture, the manager more emphasized on the organizational innovation. At 2000, with the growing of company, the original management team realized the old low efficient organization structure to some extent hindered the further development. They recruited some professional managers and several copartners became board members, they avoided employing too many family members and rearranged the departments, reformed the production lines and management of foreign customers. The later innovation can be seen from the introduction of ERP3 management system in 2004. The system covers the whole operation of production, supply, distribution and finance, smoothes the relationship of these departments and obviously improves the efficient and quality of daily operation. Back to another aspect of innovation-product innovation, the manager said that after they began to develop their own brand, they input about 5% of the every year’s turnover into R&D and recruited many researchers from other companies or famous universities. Until now they have an innovation group which comprised of 150 professional employees and they decide to invest more in R&D in the future. However, since the technology of diamond or power tools has already tended to be mature, it’s quite difficult to innovate. As a result, the product innovation more shows in the aspects of product styles or components styles but the core technology. The origin of the innovation mostly comes from the company itself during the accumulation of internal knowledge but also some parts from the outside support for example the collaboration with some university laboratories.

Another reason contributes to A’s success is the good relationship with some international business partners. Most of these partners are its OEM customers but their collaboration is not restricted in production but also have some innovation

3 An enterprise resource planning (ERP) is an enterprise-wide application software package that integrates all necessary business functions into a single system with a common database (Yuan, Xu and Hong, 2006).
collaboration. They have some patented products are innovated with some English or German famous companies in this area. Rely on it, the manager think they can get more new information, technology and experience of this industry, reduce the risk of entering a new market. This kind of relationship combined with adequate capital and good reputation which developed so many years make up the unique resources of Company A.

**Strategic Perspective:**
Competitive advantages are the core factors when firms compete in international market. According to the manager, the competitive advantage of Company A is their products. Compared to similar overseas brands products, their products are cheaper but the quality is quite the same. And the feedback from the American and European markets proved it. Related to that, the manager concluded their competitive strategy as value chain which means creating additional value from the basic operation such as production, purchase, sale and the support operation such as human resource management, R&D and marketing.

The market entry strategies of company A can be divided into two different kinds. Penetrating into a new market through agents is more suitable for OEM products but when they promote their own brand, they prefer rely on their subsidiaries as franchisee then develop local agents.

**External Environment Perspective:**
Though the technology required in this industry is not very sophisticated, the international level is high. As the manager mentioned, the update of products is fast and technology is easily be imitated which makes the competition very fierce not only in domestic areas but also all over the world.

There are many different size companies in this area where Company A located. Some of them with lower craft skill are more focus on domestic market, but others, for example A, possess higher manufacturing technology have more capability to compete in international market. As a result, only two or three similar companies in this area can threat Company A. the other institutions in the area includes some industry associations and state-owned commercial banks.

Due to these institutions, the information flow in the area is fast. It helps company A to get more information and trends about the industry. The banks provide necessary financial support such as loans to Company A before it absorbs capital from stock market. About the industry association, the manager said these associations will make some products standards, and the companies have to achieve these requirements if they want to enter the association. It in some terms monitors the products quality and helps them to advocate products. At the same time, he also gave an example about the help they got from the industry association. The local association recommended A to attend an industry conference in Australia. In the conference, companies from all over
the world to communicate with each other about the technology and show their innovation, and finally some of them can find business partners during the conference. It also helps the internationalization of A.

As many Chinese export companies, Company A also gets export tax rebate with the percentage between 5% and 13%. Before 2007, all the companies who export the machines or tools enjoyed the rebate rate of 13%. However, according to the contract with WTO, the government reduced the rebate rate to 5%. Except the tax incentive, the local government also launches some exhibitions as advertisements for the companies.

4.2 Company B-Costume Manufacturer

4.1.1 Introduction of Company B

Company B is also a private owned company which was established in 1988 at the beginning of the international trade boom of China. By producing costumes mainly for foreign customers, company B has become a large scale costume manufacturer among the local similar companies in Tongxiang, Zhejiang Province. With about 23 years’ development, they have about 1000 employees and a 30 people management team. The products lines are broad which contain clothing, under-wears and knitting three main departments. Their normal productivity is about 300,000 clothes and under-wears, and the turnover is about 3,000,000 USD (U.S. dollar). They exported almost all the products from the beginning of its establishment. It’s a typical manufacturing Born Global company. Different from most of the similar companies in the area, the founder of company A came from Hong Kong. Though Hong Kong has been returned back to China, according to Chinese corporate law, this kind of company like A is still foreign enterprise until now. The later presentation is mainly based on the interview of their marketing manager.

4.1.2 Basic Information of Company B’s Internationalization

At the beginning of its establishment of 1988, Company B started international business as many other manufacturers at that time. The overseas sales during the first three years accounted about 50% to 100% percent of their total sales. Now, all of their products are exported to abroad and without any domestic sales. Most of the products exported to America, Canada and Japan. When discussed the motives of their internationalization, the manager mentioned that except in order to avoid the fierce competition in domestic market, they also attempted to learn and absorb some new technology and information from international market. However, the most essential reason is the high profit. At the earlier 90s, the profit of exportation is about 2 times of domestic products. Consequently, driven by the profit, Company B focused on complete export business. However, as the manager said, the profit now is lower and
lower, sometimes even lower than products sold in domestic markets. That’s greatly due to the continuing increased labor costs in China and also the depreciation of the USD.

4.1.3 Internationalization Process of Company B

Different from company A, company B positioned itself as international company from its establishment. In other words, it had international vision and decided to export their products very early. The entrepreneur was born in Hong Kong and also had working experience in costume industry for a long time. After he got the Canadian citizenship and lived there for several years, he decided to establish his own company to produce costume. At that time, China just started “Reform and Opening up”, the government provided a lot of preferential policies to foreign investors. Furthermore, compare to Hong Kong, the capital price was cheaper in China and the Chinese workers’ skill was much better than other Southeast Asian countries. Under this macro environment, the entrepreneur started his career in China.

On the choices of target markets, company B didn’t start from closer Asian countries to farer America or European countries. They just followed the international demand and entered the markets where they can get sales channels. The order of their markets is firstly Canada then America and Japan. Due to the nature of foreign enterprise, they had export right at the beginning and exported themselves.

OEM is also company B’s brand strategy. When asked the reason why they chose OEM, the manager gave the answer as follow:

“The first order we got is an OEM order. In this industry, it’s very difficult to export your own brand products. As you can see, the foreign brands costumes in market, all of them are good quality, unique design and with high requirement of channels developing. At first and even until now, we still have no enough funds and channel resources to develop our own brand in large scale. And at 90s, many investors came from Hong Kong to mainland and established manufacturing companies. A lot of similar companies engaged in OEM production and also many foreign customers came to China to find OEM manufacturers. As a result, we also chose such a brand strategy. “

Similar to Company A, Company B also tries to establish their own brands but not OEM production all the time. According to the manager, “Actually now, we have already started to design and develop our own brand products. We also try to sell a very small part of our own products, but it’s a little difficult to open international market and the feedback is also just ok.”

About the internationalization process, the manager described it as follow: treat international markets as main targets at the beginning; enter international market through independent representatives or agents; large-scale export; establish own
abroad offices or subsidiaries. The manager didn’t think that choose this kind of process is because of the lack of resources such as capital or channels but the entrepreneur’s strategic decisions. The entrepreneur’s background and the economic environment made him decide only engage in OEM export at first. Response to the development of its international business, it was necessary to establish abroad office. However, the business scale of company B is not very large, they think they have no need to establish their own subsidiaries abroad. Until now, the entrepreneur also has no plan to change the present business model.

They have two abroad offices which were built at the beginning of 90s in Hong Kong and America respectively. Because of the limited business scale and capital, there are only 3-5 employees at each office and they choose to dispatch employees to American but not recruit higher salary local employees. Their job is to communicate and contact with the existed OEM customers and develop some new customers. For the plan of building own brand, they also decide to use these offices to promote their own brand.

During the internationalization process, company B met many difficulties and challenges. Now the biggest problems they have to face is the depreciating U.S. dollar. As we all know, the international trade is usually valuated in USD, the situation now is the devaluation of USD to RMB (official currency of the People's Republic of China). It greatly hurt the profit of company B. Sometimes, the international trade barriers also negatively affect it because once their products can’t achieve the certain requirements of some countries then all products have to be returned.

“Depends on different situations and resources of different companies, the internationalization process can be diverse. The companies always choose the best strategies and adjust their business development model follow the changing market situations. I think there is no fixed internationalization model to follow. Furthermore, even if there are some models, but the people who use them are flexible. Not only our company, many similar companies in this area I know, they can also achieve internationalization very fast.” This is the manager’s opinion to company’s internationalization process.

Overall, we can see conclude Company B’s internationalization and present it also in the form of figure.
4.1.4 Success Factors of Company B’s internationalization

**Entrepreneurial Perspective:**
The entrepreneur of company B has no degree but only high school education background. He studied how to make clothes when he was young and then he opened a small clothing store as his first own business. When he entered his middle age, he got a chance to migrate to Canada. There, he started his clothing business again as an agent. Overall the entrepreneur has really rich practical experience in this industry. On one hand, after a few years’ life in Canada, the entrepreneur can speak English and it became an advantage when he started his international business. On the other hand, from his store owner and agent experience, he is good at negotiating with customers. Later, with the development of business, he learnt some international financial knowledge for example exchange rate and international trade knowledge gradually. Now, among company B’s management team, the average education background level is college. Approx 20% of them have personal international experience or international working experience and 50% of can use very basic English to communicate with foreign customers. However, almost 70% team members worked in clothing industry before and have some experience.

The former experience of the entrepreneur endowed him the vision that use the resources from different countries and target the international markets but not limited in domestic market. According to that manager, the entrepreneur is an optimistic person with great desire of chasing success. And another obvious aspect of his personality is undertaking risks bravely. In 1995, because of excessive orders, the present productivity could not meet the demand. At that time, the scale of company was still small and the own accumulated funds was not very much. The entrepreneur decided to loan from the local bank. Due to the character of this industry, the survival and development mostly rely on the abroad demand which is unstable. In 2006, the whole industry came to bottleneck as well as Company B. After comprehensive consideration, the entrepreneur diversified the products structure and started to
produce under-wears and sweaters. In the manager’s opinion, the entrepreneur also has the ability to adapt to the changing market environment.

Network is a necessary kind of resource through the whole entrepreneurship. Most of the customers are acquired by the entrepreneur through his former network in this industry. And as mentioned above, with the help of the entrepreneur’s family or friends, they established overseas offices in Hong Kong and Canada. Also introduced by a friend met in Hong Kong, the entrepreneur decided to build the company in Zhejiang, which with a lot of resources such as skilled labors and costume manufacturing tradition.

Organizational Perspective:
The manager acknowledged that capital is important to the manufacturing company like them because if they have enough funds they can purchase some new and more advanced machines to improve their efficiency, productivity and get higher requirement orders. The foreign investment capital structure gives them the advantage to get more foreign OEM orders.

“Innovation is rare in the company like us” the manager said that. Some big textile company may invest funds in the R&D of fabric material, some costume companies’ innovation revealed in the design of clothes styles. However, innovation to the costume manufacturing companies is quite difficult. Company B is one of the earliest companies who stared to diversify their products to meet the various market demands. And during the production, they reformed some parts of the production line which reduced the rate of defective products and enhanced productivity. When they get the foreign orders, the customers at the same time give them finished designed and some certain standards. Consequently, they can also learn some design from these OEM orders and prepare to use these ideas in their own brand. Apart from that, they start to recruit some designers to develop their own brands. Another channel they get the technology support is through regular visiting to some of their customer companies.

Compared to other manufactures, the manufacturing craft is advanced and the quality of products is good. All of these unique resources bring company B good reputation and more orders. Apart these resources, they also have some international business partners. Recent years, they get some other overseas investments but the amount is small. They have long-term purchase relationship with some overseas material or components suppliers. The agents and OEM customers in international markets are still their main international business partners who provide them manufacturing orders, crucial channels and reduce their international operation risks.

Strategic Perspective:
As we can see, diversification is Company B’s main competitive strategy. Because the international market demand is changing all the time which cause manufacturing companies potential risks. Different from many manufacturing companies, company
B does not use the low-price strategy.

“Usually the impression Chinese products give foreign customers is low price and bad quality. We don’t want to put our company in a low price position. Actually, many similar companies have lower price than us and also the average cost in Southeast Asia such as Thailand and Cambodia is much cheaper than China now. We can still get stable orders mainly because that compared to these companies, we win at the excellent products quality.”

Another Company B’s competitive strategy is controlling the products quality. The manager introduced that they applied ISO⁴ quality control system.

When entering a new international market, usually Company B sells their products to the local agents or representatives. And the choice of agents is made by the OEM customers but Company B itself which mostly dues to the characteristic of OEM production.

**External Environment Perspective:**
Costume manufacturing industry can’t be considered as a high international level industry since the technology requirement is lower and upgrade is slow. Company B located in an obvious industry cluster contains about 150 to 200 small or medium sized costume manufacturers. Though the competition among the cluster is really fierce, there are approx 20% whose scales are similar to and can exert threat on company B. There are also some other institutions such as the suppliers of material and components, the downstream distributors and banks.

In this cluster, Company B can get abundance information of this industry, communicate technology or craft with other companies. It signs long collaboration contracts with some material or components suppliers in the cluster. This good long-term relationship benefits company B some discounts when it purchase from these suppliers. On one hand, company B recruited some very skilled or experienced the human resource flows among the cluster. On the other hand, it also lost some precious human resources because of this. Commercial banks in the cluster are served for these companies. They simplified the procedure of loan which makes companies like B easier and faster to get financial supports.

Company B greatly benefits from the preferential tax-free policy before 2000 because of its foreign enterprise nature. Although the tax law has changed several times, company B can still enjoy some preferential policy for example the export tax rebate. In order to protect the fragile costume manufacturing industry, the tax reform in 2007 didn’t affect this industry and still allowed it enjoy 17% export tax rebate rate.

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⁴ ISO (International Organization for Standardization) is an international standard-setting body composed of representatives from various national standards organizations (Unknown, 2011d).
5. Analysis

Based on our theoretical part and what we find in our empirical findings, in the analysis part, we mainly follow the structure of theoretical part to do the analysis. As the introduction of Born Global phenomenon, we discuss the definitions and characters of Born Global in the theoretical framework part. However, here our aim is trying to answer our three research questions through the analysis, so we will skip these two parts and start from the motives of internationalization directly.

5.1 Motives of Chinese Manufacturing Born Globals’

Internationalization

The motives of Born Globals’ internationalization that due to the limited domestic market and large overseas demand of inche products have been emphasized by Western literatures a lot (Rasmussan and Madsen, 2001; Moen, 2002; Andersson and Wictor, 2003; Madsen and Servais, 1997). However, these two motives are not presented in our case. Firstly, Chinese market is one of the biggest emerging markets which have huge market capacity; secondly, these companies focus on manufacturing traditional products which can’t be considered as inche products with inche overseas market potential. Consequently, we cancel the motive “market demand condition” exist in our theory part. During the analysis, we also find two new motives “high profits” and “preferential policies” which we can’t see in Western literatures but fostered in China’s special economical and political background.

5.1.1 Fierce Domestic Competition

Avoiding the fierce competition in domestic market is one of the motives of Company B. This is in line with earlier findings, which shows that the high efficiently developed international market speeds up the competition process, in order to compete with other companies that are already international, a better way is to go international initially (Oviatt and McDougall, 1994). Due to the similarity of most firms in the industry in domestic, Born Global companies decide export directly to avoid fierce competition in domestic market (Li and Zhou, 2009). It is one of Company B’s motives. However, it does not presented in Company A’s motives. We infer the reason is that compared to Company A, Company B exists in costume manufacturing industry which has lower technology and capital requirements thereby there are much more similar enterprises compete in domestic market. From both Western and Chinese literatures, the empirical findings, we can say that, fierce domestic competition which force Born Global go abroad more exist in mature industries with lower technology and numerous similar enterprises.
5.1.2 Seeking Global Resource

From the empirical finding of Company A, since the marketing manager mentioned that one of the motives is the lack of advanced manufacturing technology, information or technology of the industry, they want to go abroad to get more information and new technology. For Company B, they also mentioned that one of the motives to be international is to get some new technology and information. This data accords with what Zheng (2003) finds, one of the motives of the Born Globals’ internationalization is seeking and combining the global resources such as technology, information and international capital. Compare to similar Western industries, most of the Chinese manufacturing industries lack sophisticated technology and crafts. As a result, strong desire to learn the knowledge through internationalization to increase self competence becomes one of their main internationalization motives which is also rare in Western literatures. According to Zhu (2008), the Born Globals seek financial support from international venture capitals, but in our study those two companies did not use international venture capitals, the Company A loan from the banks before it absorbs capital from stock market, and the capital of Company B comes from the initial investment and later accumulation.

5.1.3 High Profit

In the empirical data, the manager of company A mentioned the profit from average export product is about 20% to 30% higher than domestic market. The manager of company B also pointed out that the most essential reason to go abroad is the high profit, approximately 2 times of domestic products at the beginning of 90s. This empirical findings support the standpoint that most of the Chinese Born Global companies are profit-orientated and the main motive of their internationalization is to make much higher profits than in domestic market (Li and Zhou, 2009). We infer the reason why no Western literature mentions this motive is that the cost advantage for example the lower labor and material prices do not exist in most of the Western countries. Furthermore, the high profit some parts from the Chinese preferential tax rebate policy we discuss next.

5.1.4 Preferential Policies

As overseas investors who invested in China at the beginning of “Reform and Opening” stage, Company B was also classified as foreign enterprise. Besides the tax free policy, the enterprises which engaged in export business can enjoy export tax rebate preferential policy. At first, almost all the industries had these preferential policies, for example the mechanism and tool industries which Company A exist in can get 13% export tax rebate while the rebate rate of textile industry Company B in was 17%. This in some terms stimulated these manufacturing Born Globals go abroad. Until now, though criticized by many countries, the Chinese fragile industry or
industry which absorbs a lot employment like textile still keep the 17% export tax rebate rate. This motive does not fit with any Western and Chinese literatures and it can only be formed in the country China who treats encouraging exportation as national policy.

5.2 Internationalization Process of Chinese Manufacturing Born Globals

In this part, we reorganize the structure into “Chinese Born Global’s internationalization steps” and “Chinese Born Global’s mixed-conceptual internationalization process” two parts. In the internationalization stages, we analysis the process order of Chinese Born Global’s internationalization while in the other part, we aim to explain the reason why these Chinese Born Globals choose such internationalization process.

5.2.1 Chinese Manufacturing Born Global’s Internationalization Steps

Due to psychic distance, the international companies need to accumulate the international market knowledge, experience to optimize their company organization, to identify international market opportunities and avoid international market risks (Johanson and Vahlne, 1977). This famous “Uppsala International Model” becomes the theoretical base of the step-by-step internationalization stages, which also named “Establishment Chain”: no regular export activities, export via independent representatives, sales subsidiary and production or manufacturing in foreign markets (Johanson and Wiedersheim-Paul, 1975).

When we look back the empirical findings, we find the internationalization steps of our cases Company A and Company B are as table 2 shows.

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<td>Company A</td>
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Selling diamond tools in domestic market for about two years, the founder of Company A got a chance to travel to Singapore and met a local agent. It’s an initial opportunity to go abroad and then Company A started irregular exportation through
this agent. With a period of regular exportation, Company A expanded its exportation business to America and Europe and also established overseas two subsidiaries in Singapore and America and one overseas office in Germany from 2004. A little different from Company A, Company B’s internationalization steps began from exporting directly when it was established. At first, it also relied on overseas agents to enter international markets. Later, same with Company A, it started regular exportation to America, Canada and Japan. Finally, it built its overseas office in Hong Kong and Canada in 1990, just two years after its establishment.

Compare to the “Establishment Chain” and the empirical findings, we can see that major internationalization steps of both Company A and Company B fit the “Establishment Chain”. However, Company B didn’t through the process from domestic market to international market as Company A did while it skip this step and started exportation in its early days. Entering international markets via representatives or agents, beginning regular exportation, establishing overseas subsidiaries or offices are the common sequential steps of these two companies. Different from the last step of “Establishment Chain”, none of them have production or manufacturing in foreign markets. We infer that because they take advantage of low price Chinese labor resource and materials to engage in OEM production, it’s unnecessary for them to produce abroad which require more capital investment and with higher production cost. Furthermore, from setting up the company to building overseas subsidiaries or offices, Company A spent 6 years (1996-2004) while Company B only spent 2 years (1988-1990), which was really fast. The internationalization process can be fulfilled in a short time which also contradicts to the long-term incremental process described by “Uppsala Model”.

A little similar to “Uppsala Model”, the “Innovation-related Internationalization Model” also considers Born Global’s internationalization as a learning process but sees it as Born Global companies’ self-innovation (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981). The learning and innovative process shows in the aspects as follow: the management from not being interested in exporting to starting to export; the target exportation markets from psychologically close countries to more far countries; from filling unsolicited overseas orders to exploring the feasibility of exporting actively (Bilkey and Tesar, 1977; Cavusgil, 1980).

Between the two case companies, only Companies A follows the steps from no exportation to export while Company B export products at the beginning of establishment. Contradicts to Innovation-related Internationalization Model, none of them follow the order from closer to farer areas when they choose target market. Most of the time, they follow the international market demand when they enter new market. Company A’s first international market is Singapore and then America and European countries. Recent years, after getting stable market shares in American and European markets, it allocated some resources to explore South American market, to come back to develop other Asian market such as Thailand. This order can be seen as the
entrepreneur’s strategic choice while Company B just follows the international market demand: first is Canadian market and then penetrated American and Japanese markets almost at the same time. The process from inactive to active exporting feasibility exploitation also does not present in the case companies because both of them use all resources they possess to look for exporting opportunities very actively at the beginning of their internationalization.

5.2.2 Chinese Manufacturing Born Global’s Mixed-Conceptual Internationalization Process

Since Born Global’s rapid internationalization is a complex phenomenon, the traditional single theoretical framework is inadequate to explain it (Riapl et al., 2005). Axinn and Matthyssens (2002) also argue that the mixed-conceptual research approach which concludes learning process, cross-boarding knowledge, resource and network is the future research trend. After studying the Chinese Born Global companies, we also find the clues related to these aspects behind the fast internationalization phenomenon.

Resource-based Approach
From the empirical findings, we can conclude the main driving force behind the internationalization process is the resource the companies have. Though Johanson and Vahlne (1990) develop a resource approach to update the “Uppsala Model”, they pay too much attention on the concept market commitment while neglect other aspects of resource approach. The most obvious characters of the internationalization of these two companies are entering international markets via agents and their OEM exportation brand strategy. It is the two characters that reveal how important resource during the internationalization process. Both Company A and Company B consider the sales channel as the most important resource when enter a new market. Building channels requires very high capital investment and long time, it is better for the two companies to rely on local representatives or agents who possess the channel resource to open market. The OEM brand strategy also stems from the lack of necessary resources especially the technology and reputation. The diamond tool manufacturing industry Company A exists in is already very mature and mostly the similar companies in America and Europe have the advanced technology and long-term good reputation. However, these resources are exactly what Chinese manufacturing company like Company A lacks though the products quality of A can somehow compete with these big companies’. To Company B, it faces up to the same problem. Compare to Company A’s diamond tool, Company B’s production is costume which has lower technology requirement. Unique design and irreplaceable brand reputation are the critical success factors in this industry. However, it will cost a lot to recruit good designer and how a Chinese brand to open international market is also a problem. Our analysis also accords with Lin’s (2003) finding about Chinese Born Globals’ OEM export form. To conclude, when both of the two companies lack necessary
resource, choosing OEM strategy is wise.

Learning Process Approach
Except the earlier “Uppsala Model” (Johanson ans Vahlen, 1977) which emphasizes the incremental international knowledge learning process during the internationalization, Sharma and Blomstermo (2003) point out the importance of exist foreign market knowledge is that it decides the company’s entry model directly, thereby at the same time in some terms decides the international process. From our empirical findings, we find the entrepreneur of Company B has knowledge of overseas market which can help it reduce the risk when entering these markets. Differently, Company A firstly focused on domestic market and without any relevant knowledge about foreign markets when it decided to go abroad. So both the two companies don’t support Sharma and Blomstermo’s (2003) opinion while we find the market entry model depends on what resource such as sales channels, technology and capital these companies possess. However, we also note that though one of the Chinese manufacturing Born Globals without previous knowledge, they learn it from the international business practice very fast. Except the management team accumulate basic international business negotiate knowledge, Company A organizes regular business visits abroad to observe the market demand trend and learn some experience from their business partners. To Company B, follow the changes of markets demand and international financial market is more important. They learnt much exporting or international trade knowledge through the practice and it is really helpful for them to reduce the risk for example the exchange rate risk. Both the two companies mention that they have met trade barriers such as technology or environment requirement during the exportation and also lost money because the Chinese companies like them are unfamiliar with these rules. But after the failure, they now pay high attention to these barriers. Overall, as what Johanson and Vahlne (1977) argue, these two companies learn and accumulate a lot international knowledge during the internationalization process. Nevertheless, different from the “Uppsala Model”, except accumulate the knowledge through their own business practice, they don’t give up any chance to learn from others which much shorter the learning process. We can see this from the time they spent on achieving internationalization.

Network-based Approach
According to Johanson and Mattson (1988), in the international market condition, Born Globals have more chance to collaborate with overseas partners, join in strategic alliance and joint venture through the business network which finally accelerate their internationalization process. Back to what we find, we also acknowledge the important role business network play in the process. Due to the nature of OEM manufacturing companies, through their OEM customers, Company A and Company B more easily to enter international markets because most of times, the customers will specify some certain agents and they only need to sell the products to these agents. Compare to other companies who need to look for or develop distribution channel themselves, these business network greatly reduce the risk and uncertainty of
international business. Personal network should not be neglected. With the help of entrepreneur’s personal network in Singapore and America, Company A started to export to these markets and get more OEM customers and then finally build subsidiaries or offices there. The function of personal network is more obvious in case Company B. The founder has rich personal network in the industry and because he lives in Hong Kong and Canada, he rely on these network started to exportation at the beginning and enter Canada and American markets. So, we consider that both the personal network and business network affect their internationalization process. The only difference is that personal network is more important at the early days of process while business network works in the later process.

5.3 Critical Success Factors of Chinese Manufacturing Born Globals’ Internationalization

In this part, according to our selection of critical internationalization success factors at the end of theory part, we start to analyze these factor combined with the empirical findings. Except to see whether these factors are decisive to Chinese manufacturing Born Global’s internationalization, we also aim to explain why and how these factors function. Though we suppose some other factors are not critical, we will use them to complement our analysis here.

5.3.1 Entrepreneurial Perspective

As we argued before, both the western and Chinese literatures pay high attention to the function of Born Global entrepreneurs.

International Knowledge and Experience
One source of entrepreneur’s international knowledge is their education background. However, in our case, entrepreneur A has bachelor degree but not related to international business and entrepreneur B only with high school education background. As a result, most of their international knowledge comes from their business practice. Here, we combined the factors “international knowledge” and “international experience” together into “international knowledge and experience” since both of them obtained from practice. As Knight and Cavusgil (2004) argued, entrepreneur’s international knowledge provides particular advantage. Chinese scholars Chen, Zhu and Zhao (2009) indicated that international business experience can help Born Global entrepreneurs to start business more easily. We can say these theories can be supported by case B. Entrepreneur B migrated to Canada and operated clothing business as an agent there. Apart from English and skill of negotiating during business, he learnt a lot of knowledge about international trade as well as the basic international financial knowledge. In addition, as a local agent there, he knew more about the Canada and America clothing market. All of these knowledge and
experience becomes the base of his later career. When he started his costume manufacturing business, it’s much easier for him to find customers, agents and compete in these markets. We can also say that the previous international knowledge greatly help entrepreneur to start the Born Global business and speed up the internationalization at the beginning. Different from Company B, though Company A’s entrepreneur worked in the industry for many years, the entrepreneur and the senior management team had no any international knowledge or experience before they started international business. So the influence of entrepreneur’s previous international knowledge and experience is not obvious in case A. According to Oviatt and McDougall (1995), entrepreneur’s international experience such as communication skill, avoiding the exchange risk and culture conflicts reduce the risk of international business, improve efficiency. Though entrepreneur A and the senior management team lack international knowledge and experience at the beginning, once they started the international business, they kept on learning knowledge from the market from their international business partners and accumulating experience. Both of the two interviewees mentioned that international trade knowledge, international financial knowledge and experience of contacting with foreign customers are important during their internationalization. As export enterprises, being familiar with the operational process of international trade is the basic requirement.

In addition, on one hand, the international business risk comes from the exchange rate risk. Since they mainly use USD for quoting prices and settling accounts, the un-stability of exchange rate will lead big lose to them. On the other hand, trade barrier for example the American or European rules about the product quality or environment friendly requirement is another risk to them. Both companies met these barriers and lost money. Company A even met some anti-dumping lawsuits. Now, they have already had some experience of how to deal with these lawsuits and they also won one lawsuit in America in 2008. We can see from our cases that possessing this knowledge and experience is really necessary to them because it can greatly reduce the risks of international business and finally positively affect their internationalization.

Entrepreneur’s Abilities
Both our case companies are medium-sized enterprises which the decisive role of entrepreneurs is emphasized. In addition, according to Helgesson (1996), one characteristic of Chinese business culture is the “top to bottom” decision making pattern which highlights the function of entrepreneurs in China more. About the relationship between entrepreneur’s ability and internationalization, the opinions of Western and Chinese scholars are quite similar: Entrepreneur’s innovative and risk-taken abilities affect Born Global’s growth, the abilities of identifying and exploiting opportunities faster the internationalization process while the ability to adapt to changing environment increase Born Global’s competition (Persinger, Civi and Vostina, 2007; Chu, 2010,). From the interview, the interviewees gave us some examples to prove their entrepreneurs’ abilities mentioned above. When the
entrepreneur A had a business trip to Germany, he found a kind of advanced equipment to produce diamond tools. He looked for the supplier of this machine and ordered them in Germany directly. On one hand, we can see that this entrepreneur is very good at identifying opportunity because he believed the production by that machine is the future trend in this industry. On the other hand, it’s a big investment decision with some risk while not so many Chinese similar companies did that. Due to the technology and craft ahead of other similar companies, the products of them keep the same development pace with the some foreign products which makes them get more foreign customers. Similarly, entrepreneur B loaned from bank to enlarge the production scale decisively while the market demand was unstable at that time. We can also think that the entrepreneurs have the risk-taken ability. When the whole costume manufacturing industry was in recession, the entrepreneur of Company B decided to change the production from single clothing manufacturing to underwear and knitting products. Because of the entrepreneur’s decision, the flexibility of Company B’ production lines was increased to adjust according to the changing market demand. Compare to Company A, Company B’s organizational structure is not so complete which means entrepreneur has more influence on the detailed daily operation. Overall the entrepreneur’s abilities more showed in their decision of the future development directions and the decisive technology, financial, production decisions attribute to their successful internationalization.

Entrepreneur’s Personal Network
Andersson and Evangelista (2006) pointed out entrepreneurs can use their previous contact within the industries to get financial support, find international strategic partner to expand their business. After a long time career in costume industry, entrepreneur B accumulated a lot of contacts include the costume manufacturers, distributors both in Hongkong and in Canada. At the beginning of their establishment and internationalization, most of their customers were acquired by the entrepreneur through his former personal network. Li and Zhou (2007) emphasize the function of personal network especially at the beginning of Born Global’s internationalization. Furthermore, in Chinese business culture, personal network has a little different implication which can only be more precisely described by Chinese word “Guanxi”. Guanxi is a more utilitarian principle than emotional which based on family or friendship with overtones of unlimited exchange of favors (Helgesson, 1996). Here, we can see that Guanxi more highlights the network based on family and friendship, highlights the unlimited exchange favors. Using “Guanxi” to start up or expand international business can be seen in the whole internationalization process of our two cases. Entrepreneur A travelled to Singapore and met a local agent who also came from the same province of China. After then, he started have the international business idea and also had the first sale channel in Singapore. Relied on that agent, Company A established their first overseas subsidiary in Singapore and the later American subsidiary was also built with help of entrepreneur A’s friend in America. Also with the help of family and friends, entrepreneur B established first overseas office in Hong Kong. Family, not only the personal family but also the broader sense
family-the country, is an important concept in Chinese culture and it also exists in Guanxi, affects the Chinese business behaviors. There is a word “Laoxiang” in China to describe the people from same place. And when people meet their Laoxiang in other places especially abroad, they feel like they are “family member” and need to help each other. Except the interest, we infer this kind of Guanxi make entrepreneur A and the Chinese agent in Singapore more closer and thereby attribute to Company A’s internationalization. The loyalty to family can also be extended to the loyalty to homeland. According to Chen (2001), out of the love and loyalty to their homeland, many overseas businessmen who came from the south province would like to invest in China. Though born in Hongkong, entrepreneur B still has some personal Guanxi in China mainland. When introduced by a friend in China mainland, he decided to establish company in Zhejiang Province. Personal Guanxi also pervade Chinese bureaucracy. Though it is not a positive aspect of Guanxi’s influence, it is really useful to do business in China and it is also an unspoken rule be families with even foreign enterprises in China. It a sensitive topic so when we asked about entrepreneur’s personal Guanxi with bureaucracy, we can’t get any answers. To sum up, the Chinese network Guanxi which is influenced by Chinese traditional culture or Chinese business culture function in important stages of these Born Globals’ internationalization.

5.3.2 Organizational Perspective

Innovation Culture
According to Knight and Cavusgil (2004), strong innovation culture of Corn Global companies develop particular knowledge. It helps Born Global companies use particular product to open international market and get competitive advantage. Usually, the innovation culture comes from the internal R&D or imitate from other firms (Lewin and Massini, 2005). However, it is rarely to find innovation culture in these Chinese manufacturing Born Global companies like A and B. That’s also why we can’t find any success factor about the innovation or technology among about 10 Chinese literatures. The technology of diamond tools manufacturing industry is really mature and comes to the bottle neck stage. Though Company A’s products’ quality can compare other famous brands, they still lack the ability to have revolutionary innovation. Relying on their own R&D group and external support from some university laboratories or their business partners, they only update some new styles of core component of diamond tools to improve the performance of tools but not the key technology. In organization management, Company A reorganized the departments and later introduced ERP management system which improved the efficient of operation recent years. It can’t be recognized as innovation because many foreign companies have already applied ERP system earlier and the application of the system is very mature in many other countries while China just starts. It is more difficult to Company B such a costume manufacturing company to innovate. They lack the capital to invest into fabric innovation and style design as many big companies do. Compare to Company A, their organizational structure is more simple and no
innovation showed in this aspect.

The fact is that Chinese manufacturing Born Globals lack innovation culture, there are some reasons can explain it. Through the empirical data, we find the biggest common place of the two companies is their OEM production form. Most of the time, when they get the OEM order they get the sample of the products as well. What they should is producing follows the sample and at the same time making sure the production to meet some certain quality or craft requirements. This process do not need these manufacturing Born Globals innovate their technology a lot but only keep the pace with general technology level until when they want to develop their own brands. As the manager of Company A mentioned, they have already started to develop and sell their own brand products. The problem now is that the own products have no famous reputation as well as the advanced unique technology so that it’s quite hard to open and compete in overseas markets. Company B met the same difficulty when they design and sell their own costumes. As Knight and Cavusgil (2004) argued above, the particular technology and R&D is the source of Born Globals’ competitive advantage. Due to the lack of innovation culture, there is rare core competence of these Chinese manufacturing Born Globals. In addition, usually technology innovation requires huge investment. After listed in stock market in 2008, Company A had enough money and they also increased the investment to R&D while this is impossible to Company B whose source of capital are entrepreneur’s original investment and later profit accumulation. Furthermore, as we analyzed the internationalization motives, Company A can get about 20% to 30% higher profit from exported products compared to domestic sold products and Company B can even got about 2 times higher profit at the beginning. Even though labor and materials prices are on the rise, compared to the money they get from foreign OEM customers and the production cost in China, they still have high profits. Couple of years later, they are somehow satisfied with their situation and reluctant to innovate the technology since it will cost a lot of money and the prospect of innovated products is not sure. However, finally these low cost advantage and profit space will disappear. We can see this from the rise of other manufacturing countries such as India, Thailand and Cambodia as the manager B mentioned in the interview. All in all, though it not supported by our cases, we still confirm innovation culture as key source of these Chinese Born Globals’ sustainable competitive advantage. We also believe, in the future, innovation is a critical factor during their internationalization if they decide to change their positions as producers in the international industry chain and develop their own brands.

International Business Network
Born Globals’ internationalization is more dependent on the support from the international business network such as the international financiers, suppliers and distributors (Oviatt and McDougall, 1995). The reason is that positive association among the international business network revealed as the sharing information, knowledge and experience which can reduce the uncertainty and risk of entering new market and accelerate the internationalization speed (Zucchella, Palamara and
Denicolai, 2007; Chen, Hu and Zhao, 2009)). From our two cases, we can find their major international business partners are their OEM customers or agents who are quite important in their internationalization. OEM production accounts about 70% of Company A’s exportation and Company B completely engages in OEM production, thereby their international business greatly rely on these OEM customers which also a potential risk to them. Company B mentioned once there was recession in the industry, the OEM orders reduced a lot and the productivity wasted as well. Usually, the OEM customers specify the overseas agents, so the manufacturing companies like A and B have no need to worry about the channels of entering a market and selling products. The OEM customers and agents combined together facilitate the Chinese manufacturing Born Globals’ internationalization. However, their collaboration is not limited in OEM production but some technology communication and experience learning. Company A has some joint research projects with its European or American OEM customers in its R&D center. During the process, they learn new technology, business or production experience from these customer companies and increase their R&D ability. Furthermore, both of the two companies organize regular visit to their overseas OEM customer companies. Since some OEM orders require high quality materials or unique components which can’t be purchased in China, Company B has to search from overseas market so it also has some long-term collaboration with some overseas suppliers who support their production.

5.3.3 Strategic Perspective

Entry Strategy
How to entry a new overseas market is almost the first problem Born Globals need to deal with when they go abroad. Because of lacking necessary resources such as capital and channels, Born Globals more choose the low-resource requirement entry strategy such as through the intermediate agents. Furthermore, the smaller the Born Global is, the more it relies on intermediaries (Burgel and Murray et al., 1998). As we argued before, both of our case companies export their OEM products to international market via the local agents there who specified by OEM customers. Compare to other companies who need to find intermediate agents or spend money on establishing their own distribution channels, these manufacturing Born Globals saved much capital, time and their internationalization process is also much faster. A little different, Company A also exports about 30% of their own brand products through their subsidiaries in Singapore, America and overseas in Europe. Due to the accumulated capital and investment from stock market, they have enough money to establish and operate these subsidiaries or offices to sell their products as the franchisee and also develop some local downstream agents. Compare to Company B, the entry strategies of Company A is more various and flexible. We consider the parallel entry strategy is more suitable for adapting to the changing demand from foreign market. Once the OEM orders decline, the manufacturing Born Globals like Company A can change their direction to more focus on their own brand while it also depends on the financial strength.
5.3.4 External Environment Perspective

After analyzing the empirical data, we find apart from the geography location and government policies which included in external environment perspective, another item-political and economic background we find should also be taken into consideration.

Geographic Location
If the Born Global is in an industry cluster, it will be more conscious of international opportunity, share the industry information or technology with other companies through the network among the cluster. It virtually speeds up the Born Global’s internationalization (Fernhaber, Gilbert and McDougall, 2008). It is obvious that the two companies exist in industry clusters. The manager of Company A confirms that they can get more information about the industry or market trend, the financial support from the state-owned commercial banks and the help from the industry association. Recommended by the local industry association, Company A attended an international industry conference in Australia, got the chance to communicate with and learn from the overseas similar enterprises. To company B, besides from sharing the information and technology inside the cluster, there are also some material or component suppliers who they have long-term collaboration relationship with. Usually they can get some discount from these suppliers. Apart from that, they can get financial support for example loan from commercial banks very fast because of the simplified procedure. The influence from the industry clusters accelerates their internationalization. Ye (2009) finds in Chinese industry cluster, the export-orientated economic environment and human resource movement are obvious and these in some terms also stimulate Born Global’s internationalization. It can be seen in Company B’s case. The manager acknowledged that usually they can recruit some skillful worker from other companies and they benefit from the movement of human resource in the cluster. However, at the same time, they also lose some good worker with rich experience. Specially, the industry cluster area Company B exists in has long weaving and business history. Zhejiang Province locates in the south of China which produces silk and also be famous of weaving as well as business from ancient China. In addition, the business history and culture affect this area a lot so that many people there have their own small or medium sized business. Being sensitive to business opportunities, sharing information among the huge Guanxi net are two obvious characters of the people in this area. These business culture definitely affects Company B when they recruit employees there when they communicate with other local export-orientated companies there. From our analysis, we can see the influence of geographic location is positively related to Chinese manufacturing Born Globals’ internalization.

Government Policies
In order to encourage the exportation, Chinese government usually uses the tax rebate policies (Zhou, 2007). Usually the fragile industries which are with low technology
and absorb huge employment can enjoy these policies. Both of our case companies get these preferential policies. Before 2007, the export tax rebate of Company A’s machines or tool industries was 13%. After 2007, according to the contract with WTO, Chinese government reduced the preferential rate to 5%. Though the rate is not as much as before, Company A can get some benefit. As a foreign investment enterprise, before 2000 Company B enjoyed complete free tax and 17% export tax rebate now. Zhou (2007) also mentions some local Chinese governments launch some industry exhibition as advertisement for the companies especially in industry cluster. The government of Company A’s area have launched several exhibitions for the industry. The influence from the government policies on the Chinese manufacturing Born Globals’ internationalization more showed in the aspect that they can keep more profits to develop themselves and international business because of the tax policy.

**Political and Economic Background**

After our analysis, we consider Chinese special political and economic background is also one important influential factor which can be categorized into external environment perspective. “Reform and Opening” which started in 1978 greatly changed China’s poor and isolated situation. The “Reform” means changing the “Planned Economy” into “Market Economy” and finally forming the “Socialist Market Economy”. Under “Planned Economy”, almost all the firms were state-owned which preferential resource allocation. However, after the reform of China, a lot of these firms lack the ability to adapt to the new market economy environment and could not survive. Furthermore, private enterprise, as a new enterprise type, became a new trend. As a middle manager in a state-owned factory which was in recession situation day by day, so that entrepreneur A decide to quit his job in a state-owned machine manufacturing factory and established the private Company A with several his colleagues. At beginning the survive and development of private was very hard, however, with the more and more mature market economic environment in China, they developed very faster and started to export two years after the establishment. The “Opening” means opening door to the foreign capital and use some preferential policies to encourage these kinds of capital invest in China. Under this economic background, a lot of Hong Kong businessmen use their own network in China mainland to invest and establish factory in China. Most of these companies are manufacturing companies because of China’s low labor price and rich raw materials. Entrepreneur B was also one of these Hong Kong businessmen. As the manager said, at the beginning of 90s, many foreign customers came to China to find the OEM manufacturers. It promoted many costume manufacturing companies like B engaged in OEM production. As a foreign enterprise, Company B enjoyed the tax free policy until 2000. We can see that the Chinese political economic background largely influences the market atmosphere and finally affects the setting up as well as the internationalization of these Chinese manufacturing Born Global companies.
5.4 Critical Success Factors in Different Internationalization Process

Stages

Compared Company A and Company B’s internationalization, we find that Company B’s establishment and internationalization almost started at the same time while Company A started internationalization two years after its establishment. Here we take the common part of these two cases to investigate on every different internationalization stage, what critical success factors have more influence.

We think that entrepreneur’s international knowledge and experience is an essential factor in almost every internationalization stage. Relied on his own international business experience and knowledge as a costume agent in Canada, the entrepreneur B started his costume manufacturing business very fast and choose the OEM production form as well as the exportation way through the agents. During the regular exportation, entrepreneur’s international knowledge and experience are increasing even though they don’t have the international knowledge and experience like entrepreneur A. Likely, the previous or accumulated international knowledge and experience of entrepreneurs also benefit their international business during the regular exportation operation.

As we analyzed, entrepreneur’s function is more obvious in Chinese Born Globals. Entrepreneur’s abilities such as risk-taken, identifying the market opportunities, adapting to the changing environment is decisive to these Chinese manufacturing Born Globals’ internationalization especially when the companies need to get some resources, face up to critical opportunities or big risk. So we consider it plays important role in every stage.

Usually, entrepreneur’s personal network especially the Chinese Guanxi, connects with the resource the Born Globals need to entry a new market. We can see that entrepreneur B’s personal network-the Singapore agent became their first overseas agent later and helped them started their exportation form through agents. Entrepreneur B got most of the OEM customers via his Guanxi among the industry. These OEM orders decided the form of their exportation is relying on agents. When the two companies decide to establish their overseas subsidiaries or offices, they all used the entrepreneurs’ personal network such as family or friendship.

Though the influence of innovation culture is not obvious in our cases mainly because of their OEM production form, we think if these Chinese manufacturing Born Globals with innovation culture and high technology products, their export way may be different. They don’t need to rely agents too much when they enter new markets, the regular exportation will not depends on how many OEM orders they can get, and also the function of the overseas subsidiaries or office will be the general agent of their
own brand products as what Company A does now.

In our two cases, the main international business partners of the Chinese manufacturing Born Globals are their OEM customers and agents. To Company, 70% OEM production decides they need the agents their customers specified to entry new market, their regular exportation also greatly based on the OEM orders. To Company B, except the similarity with Company A in this part, they also have other international business partners such as material suppliers which support their production during the regular exportation.

Both of the two case companies choose the low-resource requirement entry strategies-via agents. This strategy facilitates their internationalization a lot especially at the beginning. They don’t need to invest much money on developing the distribution channels and also save a lot of time which thereby accelerates their internationalization process.

The influence from geographic location and government policies presents in the stage of regular exportation. During their exportation development, they can get industry information or trend, technology or manufacturing crafts from the network among the industry cluster; they get the support from commercial bank and industry association and invisibly affected by the business culture in this area. The government policies mainly mean the export tax rebate policy which exists in the whole regular exportation stage of these two companies.

We believe the Chinese special political and economic background influences all stages of Chinese manufacturing Born Globals’ internationalization. The “Opening-up” policy, prices of labor and materials attract these OEM customer come to china to find these manufacturing companies. Also the export-orientated economy atmosphere and policy encourage these companies not only go abroad through exportation but also invest overseas market.

At the end, we give out a table which contains both the critical success factors and the stage they function in.
Table 3 Critical Success Factors in Internationalization Process Stage

<table>
<thead>
<tr>
<th>Export via Agents</th>
<th>Regular Exportation</th>
<th>Overseas Subsidiaries or Offices</th>
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<tbody>
<tr>
<td>Entrepreneur's international knowledge and experience</td>
<td>Entrepreneur's international knowledge and experience</td>
<td></td>
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<tr>
<td>Entrepreneur's abilities</td>
<td>Entrepreneur's abilities</td>
<td>Entrepreneur's abilities</td>
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<tr>
<td>Entrepreneur's personal network</td>
<td>Entrepreneur's abilities</td>
<td>Entrepreneur's personal network</td>
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<tr>
<td>Innovation culture</td>
<td>Innovation culture</td>
<td>Innovation culture</td>
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<tr>
<td>International business network</td>
<td>International business network</td>
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<tr>
<td>Market entry strategy</td>
<td>Geographic location</td>
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<td>Government policies</td>
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<td>Political and economic background</td>
<td>Political and economic background</td>
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</table>
6. Conclusion and Discussion

6.1 Conclusion

Internationalization Motives
After the study of those two companies, we found that the motives of the Chinese Born Globals’ internationalization can be concluded as avoiding the fierce competition, seeking new information or technology, profit-driven and attracted by preferential policies while the huge foreign market demand we assumed is supported by none of the two companies. Among them, the most obvious two motives are the high profits which stems from China’s low labor and material prices and really strong desires to go abroad get more information, learn more knowledge and advanced technology. Compared to Western literatures about Born Globals’ internationalization motives, Chinese literatures mentioned some other motives such as seeking global resources or high profit. These motives show more Chinese particularity and can be seen as a contribution to this research.

Internationalization Process
1. From our analysis, we conclude that because of the OEM production form, agent-based entry strategy and faster learning process, Chinese Born Global companies in traditional manufacturing industries can also achieve internationalization very rapid.
2. About the internationalization steps, we find that except the last step “overseas manufacturing or production”, Chinese Born Global manufacturing companies generally accord with “Establishment Chain” which is one part of “Uppsala Model” except the last stage “production abroad”. We infer that because of these Chinese manufacturing Born Glonals’ advantage is “made in China” so that production abroad is unnecessary to them.
3. From the theoretical perspective to discuss the reason behind their rapid internationalization phenomenon, we find that apart from the learning process approach which “Uppsala Model” focuses on, resource-based and network-based approaches also should be included in research.

Critical Internationalization Success Factors
1. The critical success factors entrepreneur’s international knowledge and experience, entrepreneur’s abilities, entrepreneur’s personal network, international business network, market entry strategy, geographic location and government policies which we assumed have been argued important to these Chinese manufacturing Born Globals’ internationalization by our case study. Though the function of factor innovation culture is not obvious, we still consider it is an essential factor during these Born Globals future internationalization when they change the OEM production form or develop their own brands. In addition, we find another critical external environment factor-political and economic background, functions in these
Chinese manufacturing Born Globals’ internationalization since China’s political and market atmosphere are different from other countries and affect enterprises a lot.

2. Combined with the Chinese manufacturing Born Globals’ internationalization process stage, we investigate on each stage, what critical success factors have more influence. We find that entrepreneur’s abilities, enterprise’s innovation, China’s political and economic background function the whole internationalization stages while other factors only function in one or two stages for example the influence of entrepreneur’s personal network is more obvious at the stages “export via agents” and “establish overseas subsidiaries and offices” when the resource especially the channels is essential, geographic location and government policies more function in the “regular exportation” stage.

3. The Chinese research about the Chinese Born Globals’ critical internationalization success factors more rely on the existed Western literatures and rarely with initiation and creation. Due to Chinese Born Globals’ technology situation, Chinese business culture, we find Chinese literatures are good at arguing the entrepreneurial factors and factors such as network and geographic location while weak at “innovation culture” and “competitive or market entry strategy”. However, we also think that quantitative research strategy more used by Chinese scholars is a good way to examine the critical success factors by the use of statistic tools.

6.2 Implication

Firstly the motives of Chinese manufacturing Born Globals for example the high profit, the desire of learning knowledge and government preferential tax policies are quite different from the limited domestic demand in Western literatures. However, these motives are supported by some Chinese literatures which reveal that Chinese literatures are more useful when we investigate some specific Chinese phenomenon.

Secondly, different from a lot of researchers, our case indicates that Chinese manufacturing Born Global’s internationalization process is not totally against “Uppsala Model”. Meantime, we pointed out that Chinese Born Global phenomenon should be analyzed from a mixed approach. Compared to Western literature, Chinese researches on the Born Globals’ internationalization is lack. Consequently, our research can be seen as a contribution to the Chinese manufacturing Born Global’s internationalization process stage as well as pointing out a future research direction.

Then we find a new critical success factor of Chinese manufacturing Born Globals-the political and economic background. This factor may be not obvious in other countries, but it is a distinct factor which affects Chinese manufacturing Born Global’s internationalization. And we believe it can be used to analyze the cases under special economic background such as in other emerging market countries.
Finally, we find that most of the Chinese Born Globals theories about the internationalization success factors are based on the Western literatures. Furthermore, compared to most Western Born Global companies which treat innovation as core competence, the innovation culture becomes one of the biggest weaknesses of Chinese manufacturing Born Globals internationalization. Consequently, Chinese Born Globals should pay more attention and invest more to their products R&D. In China such a special economic environment, Chinese manufacturing Born Globals not only need to follow the market but also the government policies since the government greatly influences the industries and whole economy. To foreign investors who want to exploit Chinese market, they also should take Chinese economic background and government policies into their consideration.

6.3 Limitation and Further Research

Limitation:
Firstly, our research focuses on traditional manufacturing Chinese Born Globals while actually there are also some other kinds of Born Global companies in China. Quite different from these manufacturing Born Globals, some high technology Chinese Born Globals who exist in big cities, with small scales, both the entrepreneur and employees have relevant education background. Compared to the formers, they are more close to the ordinary Western Born Globals. The range of our research objects is narrow which also somehow affects the validity and reliability.

Further Research:
For the further research of this topic, there is still a lot of room. In view of our first limitation, our case companies concentrate in traditional manufacturing industries, the further research should also pay attention to the world wide typical Born Globals-high technology Born Globals in China. In addition, as we mentioned in our conclusion, we argued that the internationalization process of Chinese Born Globals should be analyzed from mixed approach. Consequently, how to organize these approaches into a systematic, holistic Born Global’s internationalization process conceptual framework which has valid theoretical base is the further research destination. Furthermore, though we distinguished the success factors of Chinese Born Globals and found some simple relationships between the factors, the mechanism of how these factors function, influence each other and finally affect Chinese Born Globals internationalization is needed to be further studied. At last, we think it is better to the further research to introduce the dimensions such as using the ratio of export sales to measure the degree of internationalization, using the consumed time and range of target markets to measure the internationalization speed.
Reference:


Appendix I

The Questionnaire of Chinese Born Globals’ Internationalization

Dear Mr. / Miss,
We are doing the research on Chinese Born Global companies. During the research, we need to know the internationalization process and success factors of your companies. The information you provide is crucial to us. You can answer the questionnaire anonymous and we promise keep secret of your answers and only use it for academic research. Please fill it seriously. Thank you very much for your help and support.

Halmstad University    Strategic Management and Leadership
Huang Hanjun and Zeng Zixin
Please choose the number of the options or write down your answer after the questions:

Company Introduction:
1. What’s name of your company?

2. When was your company established? What industry you focus on?

3. Your company is ( )
   A. Private enterprise              B. Township enterprise
   B. State-owned enterprise         D. other

4. What’s the ownership structure of your company? ( )
   A. Domestic enterprise              B. Foreign enterprise
   B. Joint Venture of Chinese and foreign capital   D. Others

5. Please briefly introduce the operation scale of your company (contains the amount of employees, the productivity and sales of recent years)

6. Where your company locates?

7. Are there many similar companies in the same area?
   A. Yes          B. No          C. Not so many

General Information of Internationalization:
1. When did you start internationalization (or export)? How long after the establishment of company?

2. The overseas sales account for how many percent of the total sales in three years after the establishment of company? ( )
   A. Under 25%   B. 25%-50%       C. 50%-100%     D. 100%
3. What are the motives of your internationalization or export? (  ) 3 options
   A. Our products have specific function or the price is very high so the domestic demand is inadequate.
   B. Due to the quality or price, the market demand from foreign markets is great.
   C. Surplus of similar products in domestic market, the competition is very fierce
   D. Getting more information, advanced technology and capital through international market.
   E. The export product has more profit than the products sold at domestic market
   F. Seeking the international opportunities as soon as possible

4. Can you tell 3-5 of your export target markets?

Internationalization Process:
1. About the international vision (   )
   A. Our company had international vision at the beginning of the establishment and started our export business very fast.
   B. At the beginning of our establishment, we do not have very clear international vision, but because of some chances and then start internationalization
   C. Other reasons

2. Do you follow the order “close to far” when you choose the target markets?
   A. Yes      B. No
   If you choose “Yes”, can you introduce the general order of your export countries?

3. What is the initial channel you used to enter the international market?
   A. Through the representatives or agents
   B. Export by yourself directly
   C. Others

4. What’s the brand strategy of your company?
   A. OEM brand export
   B. Export the products with your own brand
   C. From OEM to export your own brand
   D. Others

5. Please pick the follow options and then order them to describe your company’s internationalization process (    )
   A. Only focus on domestic market, never think about go abroad
   B. Start irregular export to close countries
   C. Start irregular export to some countries without considering the geographic location
   D. Treat international markets as target at the beginning
   E. Start large scale export business
   F. Enter international markets through independent representatives or agents
G. Establish your own overseas sales team, develop the sales channels yourself  
H. Establish abroad office or subsidiaries  
I. Establish abroad manufacturing base  
6. What’s the main reason you choose the internationalization process above? ( )  
   3 options  
   A. The lack of international resources such as sales channels  
   B. Inadequate capital  
   C. The lack of international market information and knowledge  
   D. The strategic choices of entrepreneur  
   E. Others  
7. What’s your basic opinion of internationalization process? ( )  
   A. Internationalization is a long and slow process, it is based on the accumulation  
      of international market knowledge and can follow some certain model  
   B. If possess some specific resources such as the necessary resources,  
      internationalization can be achieved rapidly, and there is no fixed model to  
      follow.  
   C. Others  
Success Factors of Internationalization:  
Entrepreneurial Perspective:  
1. What’s your education background? ( )  
   A. High school  
   B. Vocational school  
   C. Bachelor degree  
   D. Master degree  
   E. Others  
2. Please describe the average education background of your management team  
   ( )  
   A. High school  
   B. Vocational school  
   C. Bachelor degree  
   D. Master degree  
   E. Others  
3. Please describe your English level ( )  
   A. Very good  
   B. Normal  
   C. Basic  
   D. None  
   E. Other foreign languages  
4. Is your major related to your job now? ( )
A. Yes     B. No

5. Do you have working experience related to the present industry or job? ( )
   A. Yes     B. No
   If you choose “Yes”, please describe it briefly

6. Do you have any international experience or international business background as follow? ( ) Multiple choices
   A. Studied abroad
   B. Working experience in foreign capital or joint venture company
   C. Others
   D. None

7. Do you have what kind of international knowledge? ( ) Multiple choices
   A. Exploit the international business relationship
   B. Negotiate with the international business partners
   C. International financial knowledge for example the exchange rate
   D. International business language for example English
   E. Others
   F. None

8. Does your entrepreneur have international vision? ( )
   A. Yes     B. No
   Notes: Entrepreneur’s international vision means the entrepreneur see the international market as target market, and combine all kinds of resources to compete in international market. Furthermore, the entrepreneur has high sensitivity of identifying international businesses opportunities.

9. What entrepreneurial spirits does your entrepreneur have? ( ) Multiple choices
   A. Desire to be success
   B. Aggressive
   C. Be brave to take risk
   D. Be good at identifying market opportunities
   E. Be brave to overcome the difficulties
   F. Others

10. What kinds of capabilities does your entrepreneur possess? ( ) Multiple choices
    A. Innovative ability
    B. The ability to undertake risk
    C. The ability to identify and exploit the market opportunities
    D. The ability to adapt to the continue changing market environment
    E. The ability to integrate all kinds of resources
    F. The ability of organizing, communication and coordination
    G. Others

Organizational Perspective:
1. Do you think the capital structure or financial condition affect the degree and speed of your internationalization process? (   )
A. Yes       B. No

2. Is innovation one of your corporate cultures? (   )
A. Yes       B. No

3. If you have innovation corporate cultures, in what aspects it can be showed? (   )
   Multiple choices
   A. The innovation of products or service
   B. The innovation of organizational management
   C. The innovation of sales channels
   D. Others

4. If you have innovation corporate culture, what are the origins of this innovation culture? (   )
   Multiple choices
   A. The internal knowledge accumulation (have your own innovation team)
   B. Imitate other companies’ innovation
   C. Get the external support (such as the research institutions or universities)
   D. Others

5. What kinds of unique resources do you possess? (   )
   Multiple choices
   A. The advanced technology in this industry
   B. Adequate capital
   C. Special sales channels
   D. Special network of entrepreneur or enterprise
   E. Good reputation
   F. Outstanding entrepreneur

6. Can you describe the competitive advantages and feedback from international market of your products briefly?

7. Does your company have any international business partner?
   A. Yes       B. No

8. If you have, what international business partners are they? (   )
   Multiple choices
   A. International investors
   B. Foreign material or components suppliers
   C. Foreign sales representatives or distributors
   D. Others

9. If you have, what’s the influence of these international business partners on your internationalization? (   )
   Multiple choices
   A. Help you to get necessary overseas resources
B. Share the international market information
C. Get more international market knowledge or experience
D. Reduce the risk of entering international markets
E. Others

10. What’s your international competitive strategy? ( ) Multiple choices
   A. Low-cost strategy
   B. Product diversification strategy
   C. Products with high additional value because of high technology
   D. Special design or good quality of products
   E. Value chain strategy, low price and good quality
   F. Others

11. What’s your market entry strategy when enter a new international market? ( )
   A. Low-resource-requirement model (through representatives, agents or distributors)
   B. High-resources-requirement model (establish overseas sales team, office or subsidiaries)
   C. Others

**External Environment Perspective:**

1. How is the international level of your industry? ( )
   A. Very high   B. Normal   C. Low
   Note: the industry’s international level means the technology upgrade speed of the whole industry, the spread speed of information or technology among the industry, have international industry chain or not.

2. Is the competition of your industry fierce? ( )
   A. Yes   B. No

3. Is your company located in industry cluster? ( )
   A. Yes   B. No
   Note: The industry cluster means some connected firms or other support institutions which located in a certain area from geographic perspective. Because of commonalities or complementarities, they combined together and then formulate the common competitive advantages. The institutions contain the similar firms, or material suppliers, distributors and some government institutions and banks, industry association.

4. If you are in industry cluster, what institutions are concluded in the cluster? ( )
   Multiple choices
   A. Similar companies
   B. Suppliers of raw materials or components
   C. Downstream distributors
   D. Government support departments
   E. Commercial banks
   F. Industry associations
G. Others

5. If you are in industry cluster, what influence these institutions on your internationalization? ( ) Multiple choices
   A. Rich information of industry help you know more about the industry trends
   B. More easily to get technology and communicate with other firms about technology
   C. More easily to get business opportunities
   D. Formulate the network between firms and in some terms share the resources
   E. Human resource flows in the industry cluster
   F. More easily to get financial support
   G. The government provides good infrastructures such as power supply, roads, Internet network and financial service.
   H. The government provides some capital and information for your internationalization
   I. The industry associations promote the internationalization

6. Have you got the support of government’s policies for example export tax rebate during your internationalization? ( )
   A. Yes   B. No
   If you choose “Yes”, can you describe it briefly?

7. Have the local government launched the exhibitions or advertisements for your industry?
   A. Yes   B. No
Appendix II

Interview Guide of Company A

Basic Information:
1. What’s your occupation in the company?
2. What’s the percentage of export sales accounts the total sales at present?

Internationalization Process:
1. About the motives of internationalization, you mentioned “to get information and technology, profit and the opportunity to occupy international market”
   a. Did you meet some problem when you just start to export?
   b. After developing many years, did you get some new technology from the international market?
   c. Compare to just sale in domestic market, how much higher the average of the profit to export than just sale in domestic market?

2. As you mentioned you started internationalization because of specific chance. So could you describe the chance briefly?

3. We notice that your company chooses to firstly get into European and American, than Asian market, so what’s the reason?

4. We notice that at first your company chooses to do the export just by yourself, but meantime your company follows the OEM brand strategy, do you think it is a little conflict between this two? (Since as we know normally the company which commit your company to produce do not allow the OEM company export by themselfe.)

5. In the case of OEM what kind of company did your company work for? You still do OEM now? What’s the percentage of OEM in your whole sales?

6. What’s the reason for you to choose this brand strategy?

7. How can you get or exploit your export channel? Does it related to the entrepreneur or the resources of enterprises or network? Could you please give us an example?

8. Could you please describe your international process more details? Since in your questionnaire you only motioned your company has a lot of export business.

9. We know from your questionnaire that you have your own sales team, so your products will sale to your broker or terminal customer?
10. We know that because of lacking necessary you choose such an internationalization process, but why you set your own oversea sales team and subsidiaries or offices since they cost more than agents?

11. When did you establish the two subsidiaries and one overseas office?

12. What’s the main mission of the two subsidiaries and one office overseas?

13. What’s the biggest problem you met during the internationalization process? In your questionnaire you mentioned your company is lack of sales channel? Could you say more details or you can use an example to explain?

14. How is the quality of your product? Can your product meet the requirement of abroad and did you meet some problem about the financial?

15. You think internationalization is a long-term and step by step process. You get this view base on your company’s experience or observation of other similar companies?

Success Factors of Internationalization:
Entrepreneurial Perspective
1. What’s the education background of your entrepreneur?

2. Can your entrepreneur speak English?

3. What’s industry and job did your entrepreneur do before he or she established company? Is it related to the industry he or she do now?

4. Does your entrepreneur have some personal international experience or international business working experience?

5. What kind of international knowledge do you think your entrepreneur has?

6. What kind of job did you do before you work in this company? What kind of company?

7. Do most members of your management team have international experience or international business working experience?

8. What kind of international business working experience did you have?

9. As you mentioned in your questionnaire “your entrepreneur have the ability of innovation, distinguish and develop the chance; the ability of reallocate resources”, could you please give us some examples?
10. And do you think there is direct relationship between the successful internationalization and the entrepreneur’s abilities?

11. What kind of network your entrepreneur used during the internationalization process?

**Organizational Perspective**

1. Does the good financial condition enhance the speed of the internationalization of your company?

2. Whether the oversea asset helps your company get more oversea channel such as the sales channel or new technology get in?

3. As you mentioned that the innovation culture of your company display on the innovation of your organization management could you tell us more details or give us some examples?

4. Does your technology team have high innovation ability? Did your company get some innovation achievement?

5. What kind of investment do you get? Internal profit accumulated or external investment? If come from the external investment, could you tell us how does the asset like? From the domestic or abroad, if it is risk investment?

6. Do you have some international business partners? Could you describe what kind of international business partners do you have?

7. And what kind of knowledge and experience did you get from your international business partner?

**Strategic Perspective**

1. What is your strategy do you usually use when you entry a new market?

**External Environment Perspective**

1. According to your questionnaire, your company is in industry cluster, how many companies in your industry cluster? And how many can threat your company?

2. Did you get the help from the industry association? What kind of help did you get and what’s the influence on your company?
Appendix Ⅲ

Interview Guide of Company B

Basic Information:
1. What’s your occupation in the company?

2. What’s the percentage of export sales accounts the total sales at present?

Internationalization Process:
1. What technology or capital problems you met at the beginning that made you want to enter international market?

2. After so many years international business, what international knowledge your company has learned from international market?

3. Compare to the products sold in domestic market, how much more profit of export products?

4. Because of what kind of chance, your company started export or internationalization? Can you describe it briefly?

5. In the questionnaire you mentioned on the choices of target markets you don’t have specific orders, can you tell us the first export destination country? And then?

6. Your brand strategy is “OEM”, but except the OEM production and export, do you also have your own brand or product? Except export, do you sell productions in domestic market?

7. Why you choose OEM brand strategy?

8. You entered international market through representatives, how can you get or exploit this channel? Does it related to the entrepreneur or the resources of enterprises?

9. The “representatives or agents” you mentioned means the domestic representatives who take the responsibility of exporting or the abroad representatives who help to sell products?

10. When and where did you establish your abroad office or subsidiaries? What’s the main mission of these offices or subsidiaries?
11. You choose this internationalization process because of the entrepreneur’s strategic choice. Can you explain your internationalization strategy?

12. What’s the biggest problem you met during the internationalization process? you can use example to explain it.

13. You think internationalization can be very fast. You get the opinion based on your company through your observation of other similar companies?

**Success Factors of Internationalization:**

*Entrepreneurial Perspective*

1. What’s the education of your entrepreneur?

2. Can your entrepreneur speak English?

3. What’s industry and job did your entrepreneur do before he or she established company?

4. Does your entrepreneur have some personal international experience or international business working experience?

5. What kind of international knowledge do you think your entrepreneur has?

6. Do most members of your management team have international experience?

7. Do you think there is direct relationship between the successful internationalization and the entrepreneur’s abilities? Can you give us some examples when you explain it.

8. What kind of network your entrepreneur used during the internationalization process?

*Organizational Perspective*

1. Did you get some international sales channels through your investor because of your company is foreign-invested enterprise?

2. Can you explain detailed innovation which showed in the aspects of your products and organization structure?

3. Do you have your own innovation team and what success have they achieved?

4. Can you say something about what kind of external technology you get and how you get it?
5. You mentioned your unique resource is advanced technology, can you explain it a little and how do you get this technology?

**Strategic Perspective**
1. One of your competitive strategies is product diversity, how many different products are you manufacturing now and how about the market demands of each?

2. Do your products have to achieve some countries specific requirement about the quality when you export? Is the foreign requirement higher than domestic?

**External Environment Perspective**
1. How many similar companies exist in this industry cluster? How many can compete with your company?

2. Do you have long-term collaboration contract with the material and component suppliers? Can you get some discount from them?

3. You mentioned the human resource flow inside the cluster, have you got any excellent employees from other companies in the cluster?