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Master Degree Project in International Business and Trade

The Challenges of a Swedish SME in Entering the Chinese market

A case study on the market entry process of Cibes Lift Group AB to the Chinese market.

Syed Nabil Raiyan and Malthe Vesström

Supervisor: Inge Ivarsson

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ABSTRACT

As the world has become more integrated with governments lowering trade barriers, regulations and with advancement in technologies, the internationalization of SMEs have been seen to rise. Through internationalization, SMEs are able enhance their capabilities, competencies, expand their customer base, increase their production capacity, profit and growth. With recent increase in business opportunities in emerging markets, more western organizations, including Sweden had begun to increase their expansion to these markets. Currently, among largest emerging markets, China is the biggest trading partner of Sweden in Asia. Sweden is operating across wide range of industries within China, ranging from heavy industries such as automotive to retail and consumers goods and services. Even though China provides vast business opportunities and benefits, it has become difficult to reap the advantages as there exist major challenges to enter this type of markets. Moreover, the current literature lacks the knowledge on the barriers which a SME experiences when entering an emerging market like China. In present time, SMEs use the knowledge on challenges which have been identified through study of MNCs to develop their expansion strategies, which is not a feasible option in foreign market entry processes. The following study aims to examine the barriers to entry faced by SMEs through a case study of a Swedish SME's market entry process to the Chinese market. The study was conducted in relation to theories in SMEs, internationalization process, entry modes and emerging markets. From the finding of the study, the authors were able to identify the following challenges : Lack in investment capabilities to enter the Chinese market; Difficulty in assessing accurate market information, identifying foreign opportunities, correct marketing channel, inefficient cross-border communication, establishing strong network within the Chinese market; Need for home government assistance; Inadequate dedicated capable management team to carry out expansion strategy; Recruiting the right employees; Poor qualities of transportation system; Complex legal constrains and corruptions. In addition to that, various procedures to overcome these challenges were also identified. These facilitators were the SME's past experience and knowledge in foreign markets, expansion strategies, international recruitment, good managerial resources and capabilities and strong networks. These knowledge about challenges and solutions, would help managers to construct feasible and efficient future expansion strategies. Also, this would fulfil the gap of knowledge within the literature world.

Key words: SME, internationalization, emerging market, China, barriers, internal, external, challenges

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Syed Nabil Raiyan

Malthe Vesström

LIST OF ABBREVIATIONS

AB	Aktiebolag
CCC	China Compulsory Certification
CRM	Customer Relationship Management
EU	European Union
FDI	Foreign Direct Investment
ITS	Information Technology System
MNC	Multinational Corporation
MNE	Multinational Enterprise
RBV	Resource-based View
RMB	Renminbi (Currency of the People's Republic of China). Yuan is the basic unit of RMB.
SEK	Swedish Krona (Currency of Sweden)
SME	Small and Medium-sized Enterprise
VAT	Value Added Tax

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1 INTRODUCTION

In this section, the background on the research topic of challenges regarding internationalization of a SME to emerging markets is introduced. A problem discussion is then presented, followed by the purpose of the research and the research questions. Lastly, the section is concluded with the delimitations of the research.

1.1 BACKGROUND

The topic of internationalization of firms has been discussed widely and across many literatures on international business and strategies. MNCs which had emerged from both developed and developing countries expands to develop new capabilities abroad, access to new technologies, and country's foreign resources and they do this through mainly establishment of foreign subsidiaries in foreign economies (Cuervo-Cazurra, 2007). Similar to MNCs, SMEs are able to enhance their capabilities and competencies through gaining overseas knowledge and at the same time develop the foreign market through creating social prosperity, socio-economic development, reducing the national deficit and creating employment opportunities (Hashim, 2015). Currently, both MNCs and SMEs are constantly working to take advantages of the opportunities and benefits of internationalization, hence, to increase their horizon, they have started to expand aggressively to emerging markets more.

In last two decades, these organizations have shifted their focus from entering developed economies to emerging markets, or emerging market economies. This drastic increase of internationalization started to happen right after the MNCs from the developed economies begun to enter emerging markets, with the hunger for knowledge and competition (Wright, 2005; Meyer, 2004; Ramamurti 2004). MNCs and SMEs expand to emerging markets, trying to reap the advantages of increasing their complementary assets, capabilities, competencies, and access to resources and profit (Lu et al., 2001; Hashim, 2015; Amal, et al., 2010). The business opportunities which that economy offers, is mainly through their continuous increase of consumer base due to their constant income growth. Also, facilitating global innovation through offering opportunities to carry out R&D at low cost (Velocity Global, 2018). Moreover, establishing a business within emerging market, ultimately leads to becoming a part of a growing

economy and it leads to development of the relationships with the customer and brand equity in the market (Pendleton, 2019). Among the current identified emerging markets, China is one of the most attractive market for MNCs and SMEs (MSCI, 2018).

For western organizations, China has become very interesting market due to their rapid change in demographics, rise in income levels, increase consumer spending and increase in open business environment (Hedley, 2018). For SMEs, there are several industries within China which provide terrific opportunities, such as Aerospace, ICT, E-commerce, High-value machinery, life science, health care, private education, clean tech and food and beverages (Business Sweden, 2018b). To Sweden, China is the largest trading partner in Asia and last year, export to China contributed to about SEK 59 billion (Business Sweden, 2018). Swedish companies are present in China across wide range of industries, from traditional heavy industry such as automotive to retail and consumer goods and services. Among these sectors, the companies have major share in engineering and technology sectors (Business Sweden, 2017). According to Business Sweden's business climate report for Swedish companies in China (2017), the prospect for business to grow lies mainly within the area of marketing and sales, followed by services, skills development and training. Along with the opportunities, it has also been highlighted that the government policies against the foreign companies and access to skilled labor can become major constraints for Swedish companies to enter the Chinese market.

Most past researches on internationalization were carried out through analysis of group of companies, either a mix of both MNCs and SMEs or just MNCs. At present, management researches solely focused on SMEs in emerging economies such as China are seen to have increased as well (Parnell et al., 2015). Based on recent researches on BRIC markets, it has been seen that SMEs tending to internationalize to these markets employ low commitment modes. This was because of varying degree of internal factors such as control, flexibility and risk, and strong influence from external factors such as trade barrier, cultural distances and political and economic risk (Ulrich et al., 2014). Nevertheless, in China, high commitment modes, FDI has also been seen to increase. Between the year of 2016-2017, the FDI inflow increased continuously from \$133 billion to \$136 billion, and according to Chinese Ministry of Commerce, 35,652 foreign funded companies were set up in China, which was a 27.8% increase from 2016 (Nordea Trade, 2018; Santander, 2018). The reason behind this rapid continuous growth in FDI

inflow has been due to countries beneficial attributes mainly due to their rapid development of the high-tech sector and establishment of free trade zones. In addition to deciding on entry strategies to emerging markets, we know the success within the emerging market also comes with the products through which company plans to enter. Studies on SMEs within China revealed that, in order for the products to be successful within the country, the SMEs need to alter their capability in order for them to be able to design and deliver products to satisfy customer needs or exceed. But if the SMEs are competition oriented then the main focus is for the SMEs to follow the market leader and develop better products and formulate proper timing of market entry to gain the second mover advantage (Wong et al., 2013).

In contrast to benefits to enter the Chinese market, establishing a business within the country can be difficult. Through analysis of MNCs we know foreign organizations are affected through external environment such as legal system, political risks and corruption, as well as internal barriers, competencies of managers and organizational capabilities (Business Sweden, 2018b; Nordea Trade, 2018; Santander, 2018). In comparison to knowledge about challenges on MNCs internationalization, it has been identified that SMEs faces similar challenges, both economic barriers and social barriers but with greater impact on their businesses due to their limitation in resources (McGregor, 2008).

1.2 PROBLEM DISCUSSIONS

In accordance to Amal et al. (2010), and some other authors, there have been several studies done, specifically in order to understand the internationalization of firms. According to Uppsala internationalization process model and the revised model, business network internationalization model by Johanson and Vahlne (2009), internationalization process is defined as a gradual step by step process, acquiring the necessary foreign market knowledge over time and ultimately internationalizing completely (Johanson and Vahlne, 2009). In the network approach models, the *liability of foreignness* and *liability of outsidership* are considered to be challenges of internationalizations. Liability of foreignness are psychic distance, and all the factors that create a barrier and prevents a firm from becoming an insider and receive awareness in the target market (Yener et al., 2014). Liability of outsidership is the lack of knowledge about the business environment and the players in the targeted market (Yener et al., 2014). Current researches on

MNCs expansion to emerging market analyzed various aspect of the concept of internationalization. Studies such as the relationships between the stages of the internationalization and the performance of the organizations by Ruigrok, Amann and Wagner (2007) revealed that there is a positive relationship. In conjunction with that, as the firms expand, firms experience major challenges to entry in several stages of the market entry process as described by McGregor (2008).

Looking specifically into MNCs internationalization, we see there has been significant research done on understanding the challenges which MNCs faces in internationalization. Sauvart, Maschek and McAllister (2009) in their research of impact of financial crisis on the MNCs Foreign direct investments, highlighted that MNCs need to consider the ability to adapt to the cultural differences, standards and practices equal to other major decisions in expansions, as these are factors are different in nature compared to home country. When focused on the emerging markets, several authors have discussed that internationalization exposes MNCs to several forms of challenges, such as adapting to cultural practices, standards, political instability, economic risks, proper market segmentation, protection of intellectual property, price and quality balance, complicated or regulatory systems and risks associated with income, inflation and transactional risks (Zainulbhai, 2005; Prahalad and Lieberthal, 1998; Khanna, Palepu and Sinha, 2005; Sauvart, Maschek and McAllister, 2009; Zang, 2008).

In the study of SMEs in China, one of the largest emerging market, it had been seen that western organizations based on the level of influence from the internal and internal factors focused on employing low commitment entry modes to establish business in the country (Ulrich et al., 2014). This is mainly due to minimize the negative impacts of internal and external factors and the flexibility and control which the modes offer. Such entry strategies tries to minimize the market risk and assist to establish networks within the emerging market. But FDI is also encouraged as China offers rapid growth in technology sector and establishing free trade zones. Along with deciding on the entry strategy to foreign market, it has also been seen that, the product or service which has been introduced, plays major role in directing the company's performance in the market (Wong et al., 2013). In addition, to that in order for the organization to sustain business in long run, organizations need to be vigilant, fast, balancing between culture

and customer oriented (Fang et al., 2017). Therefore researches in literature discusses mainly on drive of internationalization, entry mode, and what facilitates the foreign market entry process.

In researched areas of SMEs internationalization, the least focused is seen in study of the challenges which arises from the influence of the internal and external factors in the foreign market. Whereas, what is known on constrains to entry are mostly focused on domestic or foreign MNCs in emerging markets (Khan, 2014; Sauvant, Maschek and McAllister, 2009). These studies have shown us that organizations at best face several forms of challenges, such as adapting to cultural practices, standards, political instability, economic risks, proper market segmentation, protection of intellectual property, price and quality balance, complicated or regulatory systems and risks associated with income, inflation and transactional risks (Zainulbhai, 2005; Prahalad and Lieberthal, 1998; Khanna, Palepu and Sinha, 2005; Sauvant, Maschek and McAllister, 2009; Zang, 2008). Even though these knowledge about MNCs challenges provides insight for SMEs and help them prepare to enter emerging markets, the information do not fit SMEs business model in general. Kim and Wright (2013) stated “one size fits all” is not a feasible approach when it comes to internationalization. Kim and Wright (2013) in their study of ASEAN countries, China, India, Japan and South Korea, found that, for foreign market entry process and operations within the country to be successful, it is important for organizations to develop multiple supply chains, tailored to the specific country’s need while considering the locally developed capabilities and talent (Kim and Wright, 2013).

Even though there are some current researches on identifying the barriers or challenges to enter emerging markets, they are not applicable to the Chinese market, as most of the researches done are in the North American and European sites (Bruton et al., 2008). On the other hand, researches on challenges to enter emerging market have been dealt quite well for MNCs, where researches covered important markets in China, India, Indonesia and South Korea in Asia; Poland and Turkey in Europe; Brazil, Mexico and Argentina in South America and South Africa in Africa (Khan, 2014). According to Boston Consulting Group (2013), China remains most important emerging market for MNCs, followed by Brazil and India. So far, the extensive research which have been done on understanding the various challenges in entering the Chinese market was by OECD-APEC study on *Removing Barriers to SME Access to International Market* (OECD, 2009). But this studies were not solely based on the Chinese market, rather it

based on selected OECD countries which included Australia, Canada, Finland, Ireland, Korea, Spain, Sweden, Turkey, UK, and USA. China, India, Indonesia, Russia, and South Africa were the non-OECD member countries investigated (OECD, 2009). Therefore this study provided general findings on the major barriers to SME's internationalizations as understood by OECD and APEC member economies.

To sum, Western organizations considers China to be the top most important emerging market, and the authors argue that knowledge about the challenges specific to SMEs entry process to the Chinese market needs to be analyzed. This would allow the firms to be aware about the degree of risk which they need to face and in return the degree of reward, control and market share it would have. Therefore, it is crucial to have an in-depth analysis of the most significant barriers to enter the Chinese market. The current researches on the challenges to emerging markets were conducted from the perspective of MNCs or mix of MNCs and SMEs only. Even though some researches were conducted on SMEs, the researchers concluded their finding based on a mix sample countries of both developed and emerging economies and not focused on the Chinese market (OECD, 2006; OECD 2008; OECD 2009). Moreover, every countries have a very different set of attributes and requires a separate study of the challenges as conducted on MNCs internationalization to emerging markets by Khan M.A. (2014). As previous researches indicate that understanding the challenges is crucial for SMEs, as it helps to identify and prepare to tackle the shortfall in strategic resources, operational deficiencies, communications and informational related barriers in the country (Kiran et al., 2013). Therefore, the study contributes to the overall knowledge on how SMEs, despite of their shortfalls compared to MNCs, identifies the barriers and overcome them to enter the Chinese market.

1.3 PURPOSE OF THE RESEARCH

The purpose of this study is to identify and understand the challenges a Swedish SME experiences during their market entry process to the Chinese market. Therefore, this study aims at filling the gap in lack of knowledge on the challenges in the entering process to China for SMEs and how these SMEs overcome these challenges. We know that there is a positive relationship between the stages of internationalization process and firms' performances, and the challenges in each stages. To add with that, as a firm expands, it experiences major challenges to entry in several stages of the market entry process as described by McGregor (2008). A thorough research on the challenges would contribute in exploring the aspects which needs to be addressed and solved in order to elevate firms' performance. This research would provide in-depth knowledge about the challenges, which SMEs faces and could in turn provide a framework for firms from a managerial perspective. Also, from literature point of the view, this paper would be presenting barriers which SMEs faces in expansion to the Chinese market, due to the influence of both internal and external factors.

For this thesis, the authors have analyzed the market entry process of Cibes Lift Group AB to China, which is an emerging market, located in East Asia.

1.4 RESEARCH QUESTION

In order to understand the challenges of the market entry process of a Swedish SME to the Chinese market and the solutions to overcome the identified challenges, the following research question has risen from the study of the literature reviews:

What are the challenges a Swedish SME faces in entering the Chinese market and how does it overcome the identified challenges?

1.5 DELIMITATIONS

In order for the thesis to be concise, some delimitations are set forward. These delimitations are related to the objective of the study, specific industry, and areas within the business operation.

First, the case study focuses within the areas of finance, human resource, legal, politics, transportation, and market competition. More internal and external factors exist outside the selected areas, and studying them would indeed provide broad understanding of the barriers but the authors decided to focus on the selected ones as their influence on market entry process is quite large and this study would provide deeper understanding of these major factors. Secondly, the scope of the thesis is limited to manufacture of lifting and handling equipment industry, therefore, some aspects of the results might differ if the study were replicated in other industries. Lastly, as the study is carried out on a SME, the results might not be applicable to MNCs.

2 RESEARCH METHODOLOGY

This section will be discussing in detail about the methodologies used in order to conduct the study, and collect data from both primary and secondary sources. Also, presenting the approaches which were applied in analyzing the collected data, and testing/ judging the reliability and validity of the empirical findings. The authors decided to present the methodology before the theoretical framework as it facilitates and clarifies the understanding as well as the choice of theories.

2.1 RESEARCH APPROACH

The authors have decided to carry out a qualitative, explorative case study to obtain an in-depth analysis of the market entry process of an SME from a developed country to an emerging market. The choice of using a case study is narrowed down through analyzing the conditions set forward by Robert K. Yin (2014), who said, the choice of the research strategies depends on three conditions, 1) the type of research question 2) the degree of control the researcher has over the actual behavioral events and 3) the degree of focus on contemporary than on historical events. Also, as stated by Yin, case study is preferred when the research focuses on “how” and “why” questions. If the question seemed to focus on the “what” aspect of the study, then an explorative study is preferred. Nevertheless, as the nature of “what” type of questions to be exploratory in nature, any of the research strategies can be employed, such as an exploratory survey, an exploratory experiment, or an exploratory case study (Yin, 2014). For this research, the thesis focuses on answering two types of questions, “What” and “How” and the explorative

nature of the study allows us to select case study as a feasible research strategy. In addition to that, the researchers have no control over the behavioral events and employing the case study approach definitely allows to study the contemporary events in much deeper extent.

The nature of the study in this thesis requires intensive observation and relatively large amount of data, and Knights and McCabe (1997) said case study provides a perfect medium through which several qualitative methods can be combined in order to extract in-depth data. Case study allows the investigator to use wide variety of evidence, such as documents, interviews, and observations, among which direct observation and systematic interview is unique to this study method (Yin, 2014). For this thesis, the case study would facilitate the authors to use multiple qualitative methods, which are semi-structured interviews, and collecting secondary data through organizational documents, business reports, company website, online journals and articles and other academic sources.

Furthermore, the thesis employs a single case study design and embedded unit of analysis. First and most comprehensive unit of analysis is Cibes Lift, which will provide the authors with empirically rich data on the market entry process of Cibes Lift to the Chinese market. Also, Cibes Lift was chosen as the company had prior experience and knowledge in expanding to emerging markets and familiar with the factors which influences internationalization to these markets. The smaller unit of analysis were the top managements, organization process, and functional departments in both local and foreign market.

2.2 THE CASE

This section further explains the entire research process in different sections, taking the reader through the process of data collection, and the analysis of the empirical data in relation to the relevant theories.

2.2.1 Abductive Approach

For the purpose of the study, the authors have decided to use the *abductive approach* to conduct the study as accurately as possible. An abductive approach arises from the combination of two distinctive research approaches, *deductive approach* and *inductive approach* (Bryman and Bell,

2015). The abductive approach prevents the study from being affected by the limitations of the other two approaches (Bryman and Bell, 2015). According to Dubois and Gadde (2002), the main characteristic of the approach is the continuous “back and forth” movement between the empirical world and a model world. This constant movement between empirical observation and theory allowed the researchers to have greater understanding of theory and empirical phenomenon (Dubois and Gadde, 2002).

In this study, the authors first started by adopting a deductive approach, and conducted a comprehensive literature review. This enabled the authors to understand the knowledge on the topic of internationalization to emerging markets and helped to identify the research gap, and ultimately leading to the research question. After review of the literature, a theoretical framework was drawn, which was formulated based on existing literature and theories of internationalization models, entry modes, internal and external factors and network position. In the following phase of empirical data collection, the findings were continuously analyzed, and as new information began to arise from the interviews and from study of the findings, modifications and improvements were made in the literature review section, the conceptual framework and the research question. This illustrates an inductive approach, which allowed the authors to have a deeper understanding of the research topic, and facilitated in improving the initial framework and research question. The aim of abductive approach is not about confirming the existing theory, rather it's about theory development and theory generation (Dubois and Gadde, 2002). In relation to that, the purpose of this study was not to confirm current knowledge on barriers to enter Chinese market, rather the focus was on understanding the market entry process to the Chinese market, and identify new insights on the challenges a SME faces in entering the market and the mechanisms to overcome these challenges.

2.2.2 Data Collection

2.2.2.1 *Primary and Secondary Data Collection*

In order to collect information for this research, both *primary* and *secondary* collection methods have been employed. Combining these methods have facilitated to gather required information to support the research.

Primary data were collected through semi-structured interview. All the participants for the interviews were chosen by the researchers in collaboration with Cibes Lift Group AB. These participants were chosen based on the required information for the research and the sample group was consist of Cibes Lift Group AB employees. For the interview, advices of Cibes Lift were mostly considered when selecting their employees as sample. Cibes Lift's advice were given high priority, as they have better knowledge on whom to ask in regards to the authors' queries related to gathering relevant data for the research. Therefore, the samples were not random, rather samples were chosen directly within Cibes Lift Group AB. The following are the interview participants from Cibes Lift Group AB (Table 1).

interview	Respondent	Position/Job Title	Duration	Date
1	Mathias Brandhammar	CFO and Exec. VP Business Support, Cibes Lift Group AB	1 hour	27.03.2018
	Malin Wärme	Treasury and Financial Controller, Cibes Lift Group AB		
2	Mats Engblom	CEO, Cibes Lift Group AB	1 hour	27.03.2018
	Mathias Brandhammar	CFO and Exec. VP Business Support, Cibes Lift Group AB		
3	Mathias Brandhammar	CFO and Exec. VP Business Support, Cibes Lift Group AB	1 hour	27.03.2018
4	Anna Hammarsten	Manager, International Sales	1 hour	27.03.2018
	Malin Wärme	Treasury and Financial Controller, Cibes Lift Group AB		
5	Marcus Nilsson	Business Controller, Cibes Lift Group AB	1 hour	27.03.2018
	Mathias Brandhammar	CFO and Exec. VP Business Support, Cibes Lift Group AB		
	Malin Wärme	Treasury and Financial Controller, Cibes Lift Group AB		
6	Mathias Brandhammar	CFO and Exec. VP Business Support, Cibes Lift Group AB	1 hour	13.08.2018

Table 1: Interview Participants and Schedules. *Source: Compiled by authors.*

Source: The table created by the authors.

As the researchers decided to conduct a semi-structured interview, they prepared a set of questions to facilitate the interview. The set of questions were open ended, so that the participants have the flexibility to answer, as well as it gives the researchers opportunity to collect more information. Even though the researchers prepared an extensive interview guide covering all the aspects of the research, some changes in questions were made in-between interviews, because of two reasons: First, the information were obtained as a sub-answer in different question. Secondly, the question was not relevant due to discovery of new information in a different question. Therefore, there was necessity to alter or omit some interview questions and hence a semi-constructed method was used. In order to preserve the information and not missing out information when finalizing the paper, all the interviews were recorded and transcribed.

For secondary data, the researchers collected information on Cibes Lift Group AB, the Chinese market and the competitors from organizational documents, business reports, company website, online academic journals and articles and other academic sources. Some information which the researchers took part of could not been used due to its sensitivity, and some answers during interviews where restricted in order to protect the sensitivity of the information. Hence, the information presented in this paper has been refined in collaboration with the firm. Letting the respondents validate the report before it is finished is a method usually described as respondent validation (Bryman and Bell, 2015, p. 401). Through revision of information from the interviews, the firm had a chance to comment and revise information in order to create a mutual satisfaction. Secondary data collected about the host country - China were found at various online sources which include articles, statistic websites and government official websites. Use of both primary and secondary data collection method have enabled the authors to collect information from multiple sources and use those information for triangulation, and strengthen the validity of this research (Bryman and Bell, 2015).

2.2.2.2 Interview Process

All the interviews were conducted in both Swedish and English, and this allowed the interviewees to be able to describe and express terms correctly. The interviews were later transcribed in English language. Time and effort were put behind the transcription in order to

capture the actual essence of the interviews and reflect them accurately in the report. The interviews were carried with Mathias Brandhammar (CFO and Exec. VP Business Support, Cibes Lift Group AB), Mats Engblom (CEO, Cibes Lift Group AB), Anna Hammarsten (Manager, International Sales), Malin Wärme (Treasury and Financial Controller, Cibes Lift Group AB), Marcus Nilsson (Business Controller, Cibes Lift Group AB). First 5 Interviews were held in 5 sessions throughout a single day on 27th March, 2018. First session was in the morning, 09:00-10:00 with Mathias; second session was with Engblom and Mathias from 10:00 – 11:00/11:30; third session was from 11:00/11:30 – 13:00 with Mathias again. After lunch break, the researcher continued the interview with Hammarsten 13:00-14:00/14:30. The researcher wrapped the whole interview day with last interview session, from 14:00/14:30 – 16:30 with Nilsson and Brandhammar. The first 4 interviews were conducted inside Cibes Lift headquarter in secure meeting rooms. The 5th interview was conducted inside their factory manufacturing area. The 6th interview session was carried out on 13th August, 2018, which was a phone interview. The interviews were directed based on the interview guide questions and all the interviews were recorded with the consent from the participants. Later it was transcribed in English to incorporate the findings in this research paper.

The first two interview sessions started as unstructured, where both Brandhammar and Engblom described their own background, Cibes Lift history, and expansion strategies in order to confirm secondary data through a biographical method. The use of biographical method were used in order to achieve a better understanding of what influence leaders and owners of the firm have had on the company's historical strategical decisions, culture and historical heritage (Bryman and Bell, 2015, p. 501). The first two interviews later started to follow a more semi-structured as the discussion entered more into the firms operations . The third session was semi-structured in order to create understanding for products, production, operations in foreign country, market preferences and sales processes. The fourth sessions were used as a control for the two first interviews and attain knowledge about Cibes Lift current approach to new markets. The fifth session was used to control and connect the findings from the four interviews, as well as potential factors that could be seen as enter barriers to a new emerging market. The last interview which was carried out in August was mainly to extract in-depth information on their market entry process to China and the obstacles specific to the Chinese market, which the company had faced during their initial entry to this market.

2.2.3 Data Analysis Method

As the nature of the study requires detailed and large quantity of data, the authors carried out in-depth interviews through using semi-structured interview guide and recorded and transcribed all the interviews. The recordings and transcriptions were done as it is common to miss out information or forget a particular topic of discussion due to frailty of human memory, and any form of recording can help to overcome the limitation of human memory capacity (Bryman and Bell, 2015). Also, the research requires a detail analysis, therefore it is essential to capture the exact discussion and flow of information in exact manner from the interviewees, so revisiting the interviews create opportunity to cross check with empirical and analysis (Bryman and Bell, 2015). After the interviews were taken, the answers from all the interviews were all combined and the empirical text was formulated around the topic of “Cibes Lift’s Expansion Strategies”, “Operation in Foreign Network”, “Expansion to China”, and “Influencing factors on market entry process to the Chinese market”. The empirical sections begins with broad aspects, which are Cibes Lift’s introduction, then focusing on their corporate internationalization strategies, and operations in foreign market, and then diving into more in-depth information about their expansion to the Chinese market. The more in-depth aspects included the situation of the Chinese market, Cibes Lift’s market entry process to the Chinese market, and the impact of external and internal factors in this process. The authors divided the findings based on the topic of discussion and presented them under particular themes where they belonged to. Breaking down the findings under unique themes can be referred to as coding (Bryman and Bell, 2015). For example, the question regarding entering process to the Chinese market were discussed throughout all the interviews, and the responses were categorized under “Expanding to the Chinese Market, Choice of entry modes, Operation of Cibes Lift China, etc.” and presented in the empirical sections.

In the analysis section, the empirical findings were compared to the existing literature. The findings were compared with theories from internationalization models, entry modes and previous researches on the impacts of internal and external factors to the market entry process.

Some of the findings were in line with what the previous theories have proposed and what previous researchers have discovered but in the perspective of entering the Chinese market by a Swedish SME. However, in the assessment of the internal and external barrier, it was observed that legal constrains and corruption had significant impact on the business operation in China, whereas it was not well covered by previous literatures. Therefore the authors decided to explain further on these topics in relation to impacts from internal and external factor, but was not focused in the literature section. The literature section mainly focused on the internationalization process and the impacts of internal and external factors in the area of finance, capabilities, competition, communication and transportation.

2.3 QUALITATIVE ASSESSMENT

In business research the quality of a quantitative research are usually evaluated by two main criteria, *reliability* and *validity* (Bryman and Bell, 2015). There is an ongoing debate if reliability and validity should be adopted and used to measure the quality of qualitative research or if qualitative research should be evaluated according to different criteria (Bryman and Bell, 2015). In this report the authors have chosen to focus on ensuring trustworthiness, by taking four criteria into consideration: credibility, transferability, dependability and confirmability (Bryman and Bell, 2015).

2.3.1 Credibility

Credibility is connected to the philosophical question of what things exist. The social reality or the realities of multiple persons can different and creating several possible perception of reality (Bryman and Bell, 2015). In this study the authors have therefore strive for describing a reality that has high plausibility for being determine as accepted as the real reality to others. In order to do that, the authors obtained knowledge and a deep understanding of the subject studied, as well as the investigated case company. Obtained knowledge and a deep understanding may however not be enough in order to create trustworthiness in a description of reality. By submitting findings and how the authors describe the reality to be part of the society, the authors as investigators can achieve confirmation that they understand the social world, which they have investigated (Bryman and Bell, 2015). In this paper respondent validation were therefore used to

achieve a higher possibility for credibility. In addition to respondent validation, triangulations were used to crosscheck findings of both first and second sources in order to create greater confidence in it (Bryman and Bell, 2015).

2.3.2 Transferability

According to Bryman and Bell (2015), as well as the case of this research, qualitative research is often focused on study of a small group or phenomena, to create a deep understanding. The possibility for transferability is reducing as the nicety of the subject increases. In order to increase the possibilities of transferability, Guba and Lincoln (1985) stressed the importance of a rich description, so that others can judge from the description and find other settings to transfer information from the research.

2.3.3 Dependability

Dependability strengthens the trustworthiness by providing others a possibility to replicate the study with the same results (Bryman and Bell 2015). In order to facilitate the ability to achieve the same results as in this study, the researchers have created notes, recordings and saved collected information. In combination of presenting a deep description of the phases in the research process, the authors hope to facilitate the possibility for researchers to replicate the study and increase the trustworthiness of it.

2.3.4 Confirmability

There is in reality no such thing as absolute complete objectivity when a person is conducting a business research (Bryman and Bell, 2015). The authors have therefore used triangulation of information in order to establishing confirmability.

3 LITERATURE

This section provides an overview of the literatures relevant to the research topic. The sections start off with literature review about emerging markets, SME and internationalization of SME. Second, a theoretical framework that outlines different literature on internationalization models, entry modes, and barriers to market entry process. Lastly, finishing the section with a conceptual framework, which will serve as a base to collect data and the analysis of the empirical findings.

3.1 EMERGING MARKETS

In a general term, an emerging market can be defined as a country which has achieved some of the characteristics of a developed country and on its way to attain other characteristics and become developed in future. An emerging market can also be addressed as an emerging economy, or a developing country (Amadeo, 2018). In details an emerging market can be characterized through the following five characteristics. The emerging markets have low per capita **income** compared to developed markets. The World Bank defines emerging countries to have a low or lower middle per capita income, which is below \$3,895 (World Bank, 2017b). The second characteristic would be the evolution of the emerging market (Mody, 2004). The market is continuously transitioning in demographic characteristics, such as fertility rate, life expectancy, and educational status. They are also transitioning in the nature and depth of their economic and political institutions. According to the World Bank, as of 2017, the GDP **growth rate** of countries like United States, Germany, the United Kingdom and Japan was less than 3% (World Bank, 2017c). On the other hand, in Bangladesh, Egypt, India, Turkey and United Arab Emirates was 4% or more (World Bank, 2017c). The third characteristic to define an emerging market would be their high degree of **volatility**. Volatility can rise from several factors which includes natural disasters, external price shocks, and domestic policy instability. There has been issue with assessing the cause of the volatility in the emerging market, whether it's due to the uncontrollable factors of the policy framework within which the country operates (Mody, 2004). Either way, it is difficult to differentiate the two factors, as a natural disaster which is an uncontrollable event can be prevented if some preventable and disaster measurements are implemented (Mody, 2004). Emerging market also liable to get influenced by volatile currency

swings, like prices of dollars. Also commodities like oil or food has impact, as they do not have enough power to control the prices (Amadeo, 2018). The **capital markets** in these countries are quite **immature**, hence, the fourth characteristic is the absence of track records of the foreign direct investments. Extracting information on companies listed on their stock markets is quite difficult. Selling debts, such as corporate bond on the secondary market is quite difficult. The final characteristics is the **higher-than-average return** for investors (Amadeo, 2018). Most of the emerging countries focus on an export-driven strategy, they do not have the demand at home, so they produce low cost consumer goods for developed markets. Companies which invest more behind this growth enjoys higher stock prices, which means higher return on bonds, enough to cover the additional risk of emerging market companies (Amadeo, 2018). These particular features or aspects makes the emerging market more attractive to investors, even if they have a little debt, growing labor market and a government that is not too corrupt.

3.2 SMALL AND MEDIUM ENTERPRISE

According to OECD (2000), SMEs in general are defined as non-subsidiary independent firm, which employs fewer numbers. According to European Union (EU) the upper limit is considered to be 250 employees, but the number varies with country. For example, United States considers firms with employees less than 500 to be SMEs. Small firms are generally one with fewer than 50 employees. Other than staff headcount, financial assets are also used to define SMEs. In EU, SMEs must have an annual turnover of Euro 40 million or less and/or a balance-sheet valuation not exceeding EUR 27 million (OECD, 2000). Currently, SMEs are exceling in strategic business sectors such as organization in computer software, and information technology businesses, research and development, marketing, and human resource development (OECD, 2000). Most of the SMEs are focused in knowledge based functions, and they have been able to dominate this niche areas and they are still growing.

3.3 INTERNATIONALIZATION OF SME

Internationalization had been discussed quite a lot of times in past few decades and several researchers have termed internationalization differently depending on the nature of the studies.

Welch and Luostarinen define in the early 80's internationalization to be the process of increasing involvement in international operations (Welch, 1988). A more modern definition which appeared in literature did not agree with Welch's definition, and stated that internationalization is not a forward progressing process, and that a firm can de-internationalize by downsizing product line, moving back to exporting by reducing FDI investments, stepping out of the international network operations (Chetty, 2003). Johanson and Vahlne (2009) in their revise work on their Uppsala Model (1977) on internationalization explained that firms gradually expanded to international market and increased commitment in foreign operations as they entered new markets. The authors explained the process of internationalization as utilizing the existing network in the foreign country to enter, or through building relationship with a firm operating in the foreign market, by using regular business practices, building trust and commitment and in result developing a new business network. For the purpose of study in this research paper, the definition of Johanson and Vahlne is followed.

In the process of internationalization, a SME faces two critical decisions which is tied with the development of the business. First, the choice of the country, a decision in choosing a country to enter and grow with time. Secondly, the entry strategies which the company would employee to enter the market. Once the company established their infrastructure, begun their operations, management team hired, and network with companies formed, it would be difficult for the companies to succeed in the foreign country if the entry to the foreign country was poorly executed (Sarasvathy, 2001). Especially when entering an emerging market, choosing a feasible entry mode is more crucial. The establishments of a firm's infrastructure create a new question of what type of business units should be set up in the new market. Porters Value Chain from 1968 is in management literature a well-recognized model for dividing firms into business unit's activities. Having a tool for sorting the business activities into units is important for understanding the firm. The choice of entry mode and business units that are established when the firm enter a new market is also closely related. As some modes require a particular set-up of activities, and on the other hand a strategy of having a type of activities in place can form the new entry mode. Using a mode to reach a particular effect and to select suitable business activities, can be seen as using a causation process (Sarasvathy, 2001). On the other hand a firm can use an effectuation process, and see what business activities that are given and focus on using them for creating a mode for one of many desirable effects (Sarasvathy, 2001). An

understanding of a firm's decision processes is a more causal or effectual oriented can thereof be important in order to create more satisfactory results closer to the firms' view of reality.

For a small and medium-sized enterprise (SME) internationalization is a way for the growth of macroeconomic and export-firm growth. Expanding to foreign market allows the SME to increase their market share, which results to higher sales volume and leading to potential growth in demand and ultimately requiring them to scale up the production capacity. In both developed and emerging markets, internationalization of SME plays a vital role in generating income, creating employment opportunities, and even reducing poverty (Ayyagari et al., 2011; Rahman, 2017). Internationalization presents us with opportunity for SME is to grow as well hinders to enter the foreign country especially if the organization is trying to enter an emerging country but sometime it is worth the risk considering the potential opportunities. Based on previous studies, the hinder or challenges are the micro and macro level factors like the shifts in political platform, unstable economic condition, lack of infrastructure and limited knowledge and access to modern technologies (Kim and Wright, 2013). Also the internationalization process for SME is quite different to MNCs, they rely on networks, as the small size faces greater risk when they enter foreign country. Some of the typical constrains would be the narrow sets of capabilities of the organization, limited access to market research, and access to pool of experts who can facilitate with the internationalization (Musteen et al., 2010). Also the socio-economic setting of the developed country is different from the emerging countries, hence the challenges learnt from previous studies in developed is not feasible to follow when entering an emerging market.

3.4 REVIEW ON SMEs ENTERING THE CHINESE MARKET

In the study of SMEs market entry process to the Chinese market, the area of research has been focused on identifying the best possible strategies, in order to establish foreign business operations. This involved the study of organization capabilities, competitive strategies, entry strategies, uncertainties, barriers to entry, and new product development (Parnell et al., 2015; Ulrich et al., 2014; Yaprak, 2012; Fang et al., 2017; Zhang, 2006; Kam Sing Wong and Tong, 2013).

As it is difficult for SMEs to succeed in the Chinese market, an estimated of two-third of the newly established SMEs do not survive their first and 85% in the next 10 years (Parnell et al., 2015). Therefore, a research on the linkage between strategy and performance were carried out on the entering process to the Chinese market. The study of the linkage between competitive strategy, strategic capabilities, environmental uncertainty, and organizational performance of SMEs, revealed that the Chinese market is very price sensitive, and cost-based approaches are to be feasible in the local market. If the SME desires to enter through differentiation, it is difficult to sustain the business in long run, due to large low income group. Also, SMEs managers faces dilemma when deciding on employing differentiation strategy and makes them vulnerable to competition market. This is because of the firms over dependence on tendency to avoid uncertainty, and focus on cost-controlling approach rather than investing and taking risk in innovation (Parnell et al., 2015). In addition to that, from the study of BRIC countries, organization prefers low commitment modes to enter the Chinese market. This is because of reducing the market risk, as well as establishing network with the agents and distributors in the foreign country in order to establish long term business relationship (Ulrich et al., 2014). But also, higher commitment modes were favored for entering the Chinese market because of country's market potential and lower rated risk compared to other BRIC markets (Ripollés et al., 2012). Beside regular Internationalization models, an approach to utilize different important elements of Uppsala and Born Global models has been suggested in order integrate into the Chinese market through establishing creative strategy and positioning themselves in the network (Fang et al., 2017). In addition to adopting a mix of best internationalization approaches, the SMEs are also required to alter their capability in order for them to able to design and deliver products to satisfy customer needs or exceed (Wong et al., 2013). SMEs can do this through following their competitor's product and service strategy within the market or delivering a unique product which would serve the consumers.

3.5 THEORETICAL FRAMEWORK

3.5.1 Internationalization Models

Among many definitions of internationalizations, the most cited articulation of the process is of Johanson and Vahlne (1977). This model, clearly focusses on the *liability of foreignness*, at the

country level, hence emphasizes on the psychic distance, which refers to having similar organizational culture, customer preferences, business behavior and social setting (Johanson and Vahlne, 1977; O'Grady and Lane, 1996). The model also focused on the incremental internationalization model, and the establishment chain, which is the increase in commitment level with every new step in the incremental internationalization process stages (Johanson and Vahlne, 1977). The initial Uppsala model is based on the resource-based view (RBV), and according to Pedersen (2000), this model was designed against the criticism of previous studies which did not include cultural differences, foreign market knowledge, and firm's internal capabilities. On the other hand, the model lacked the understanding of the external factors such as competitiveness within the foreign market, and market knowledge.

In Johanson and Mattsson's (1988) network approach it has been highlighted that, in order for the organization to be successful in the foreign market, it needs to possess knowledge about the environment in the market and this can be achieved through establishing close relationship between the actors in the networks, such as with the customers, distributors, suppliers, and other related actors present in the industry. As well as, indirect relations through firms with suppliers' suppliers, customers' customers, competitors, and similar sorts (Johanson and Mattsson's, 1988). Moreover, for an organization to perform and generate profit in the foreign market, coordination in their activities need to be present which happens with interaction between the firms involved in the network. In the literature of international entrepreneurship, it has been seen that in order to identify and exploit foreign opportunities, the importance of networking and network position of the entrepreneur or the focal firm is highlighted strongly (Schweizer, 2013).

From the perspective of latest theoretical knowledges, Johanson and Vahlne (2009) updated the initial Uppsala model, while the internationalization process is defined similarly, as gradual step by step internationalization process where the firm gains knowledge along their internationalization journey (Johanson and Vahlne, 1977). The updated version of Uppsala model (2009), linked variables such as network position, knowledge capabilities of the firm, relationship commitment levels, and their learning, creating and trust-building capabilities. These variables plays critical role when it comes to internationalization of SMEs. Johanson and Vahlne (2009) did not focus on the *liability of foreignness*, rather it is focused on *liability of outsidership*. In modern era, the business world is made up networks, and the success of business

depends on the establishment of relationship in one more networks. (Johanson and Vahlne, 2009; Almodóvar and Rugman, 2015).

3.5.1.1 Identification of Business Opportunities

Identification and development of business opportunities are crucial when it comes to expand or start a new business in foreign country. Ardichvili et al. (2003) stated that the choice opportunity is influenced by 5 factors: 1) entrepreneurial alertness; 2) information asymmetry and prior knowledge; 3) social networks; 4) personality traits (incl. optimism and self-efficacy, and creativity; and 5) type of opportunity. Ardichvili et al. (2003) highlighted that the development process starts when the entrepreneurial alertness threshold has been exceeded and leads to accidental discovery of opportunities. This increase in alertness happens due to the effect from combination of the above mentioned factors. Also, it has been argued that opportunities arises from the market as the conditions are never in equilibrium, therefore it implies that the accidental discovery depends on business activities within the market and not on the specific business seeking opportunities (Johanson and Vahlne, 2009). According to Ardichvili et al. (2003), the identification of opportunities varies from person to person due to their differences in personality traits, and the type and amount of information they possesses. Prior entrepreneurial knowledge helps to identify certain opportunities. This prior knowledge is divided into 3 dimensions, prior knowledge of market, ways to serve the market and customer problems (Ardichvili et al., 2003). Moreover, from social networking perspective, the entrepreneurs who are more involved in the network and have extended networks, would evidently discover more opportunities than solo entrepreneurs. If the internationalization process observed from the perspective of entrepreneurs, it is argued by Sarasvathy (2001) that in the decision making process of entrepreneurs or entrepreneurial managers, the general theory of effectuation can be implied in order to improve the firms operations through growth and greater efficiency. Also, Dew and Sarasvathy states, that effectuation, converts the uncertainty into opportunities, through 3 reasons, which are: 1) focus of decision makers on affordable loss than the expected the returns; 2) Instead of guessing on the future of the business direction, use predictive, competitive analysis of pre-commitments to potential partners (e.g., venture capitalists, suppliers, research units, governmental agencies, or

customers); 3) Having vague goals, so that decision makers can leverage uncertainty by treating the arrival of contingencies as an opportunity to exercise control over any emerging situation (Dew and Sarasvathy, 2010; Schweizer et al., 2010).

3.5.1.2 Overcoming Liabilities of Outsidership

During the internationalization process, SME tries to overcome the liabilities of outsidership through (1) Realization of the existence of liability of outsidership through internal/external triggers, (2) Identification of the relevant network, (3) Re-bundling resources and capabilities, and (4) Accessing, managing, and leveraging opportunities identified in the new network (Schweizer, 2013). According to Johanson and Vahlne (2009), a strong position in the relevant network, makes the firm an insider and, it prevents the firm from experiencing *liabilities of outsidership* and *foreignness*. Activities such as learning, trust-building, and knowledge creation related to the identification and development of business opportunities in the network contributes in eliminating this liabilities (Schweizer, 2013). Also, dynamic capabilities of organizations which are the firms' process and mechanisms that uses resources to create new strategies in the dynamic market (Eisenhardt and Martin, 2000). This assists in achieving sustainable competitive advantage in the foreign market, through their process of integration, reconfiguration, acquisition and dispatch of resources (Festing and Eidems, 2011; Eisenhardt and Martin, 2000).

Network position is consist of relations that can grow by interaction with other actors as the levels of commitment, knowledge and trust between party's increases. With that stated, high level of commitment between firms is not always preferable for all parties in the network (Johanson and Vahlne, 2009). Other works such as Muthusamy and White (2005) strengthen Johanson and Vahlne (2009) ideas. Muthusamy and White (2005) stated that increases in mutual resource commitment in relationship creates highly intertwined partnership, which leads to higher degree of interdependence and more joint coordination. Another finding from Muthusamy and White (2005) states that firms who increase trust in their partner's abilities were shown to gain more new knowledge, skills and competencies through alliance.

Relationships allows experiential learnings which allows the firm to learn from the counterparts about resources and capabilities and increase their commitment. A SME can exploit their current connections which they have developed across time through trust (Larson, 1992). This allows the firm to learn from the connections and identify the opportunities to exploit. In addition to that, it is not just to exploit opportunities, but also to confirm that the advantage which has been taken, lasts for long term.

3.5.2 Choice of Entry Modes

To understand this internationalization of SMEs and the challenges associated with market entry process, it is important to look into one of the most critical decisions faced by organizations, choice of entry modes. Foreign entry modes are like a way for companies to operate in a foreign market and on the basis of *control*, *commitment* and *risk*, there were 17 mode classifications which were later reduced to three distinct modes of entry: licensing/franchising, JVs, and wholly owned subsidiaries (Gabriel et al., 2009). When it comes to choosing an entry mode, the decision is usually taken between *equity based modes* which are wholly owned operations and equity joint ventures, and *non-equity modes*, which are contractual agreement and exports (Yigang and David, 2000). Different entry modes have different level of control that is the authority over the operational and strategic decision making.

The control is minimum in case for licensing, because in exchange for license, the agreement between in the licensee is based upon a one-time lump-sum amount of money, a per unit-loyalty and a commitment to follow the terms and regulations outlined in the licensing contract (Hill et al., 1990). Maximum for wholly owned subsidiary, as the main control always resides with the corporate headquarter, and only activities like day to day operations and some strategic decisions related to the subsidiary are delegated to the subsidiary (Hill et al., 1990). On the other hand, the level of control splits in Joint venture, depending upon the share of the partners. Hence, the control level in this case falls between licensing and wholly owned subsidiary.

All types of entry modes have different level of resource commitment. In case for licensing, the cost is usually behind all the activities which is required to run the business in the foreign country like owning the assets which generates the revenue. Therefore, the level of resource

commitment is low, only limited to the personnel involved in training licensees and monitoring and controlling the licensees so that they follow the contracts. For wholly owned subsidiaries, all the costs are related to opening up the business, operating, and monitoring the business (Hill et al., 1990). Thus, the company has high level of resource commitment. In case for joint venture, the level of resources commitment falls in between these two modes (Hill et al., 1990).

These different type of modes have different levels of dissemination of risk. Dissemination of risk is very low in terms for joint venture, as the company ownership stake gives them greater control over the utilization of the knowhow (Hill et al., 1990). The lowest level of dissemination is in wholly owned subsidiary because of the absolute control over the firm specific knowhow and the corporate atmosphere where the core goals and values are shared between all the employees and shareholders.

Establishing foreign subsidiary for SME markets have proven to be a challenge for a foreign country. The challenges are the global competitions as some of these countries have their domestic market open to foreign competitions and the competition is of global level. These competition provides the companies opportunity to grow, and hence attracts the foreign companies to establish their own subsidiary (Douglas and Craig, 2004). There might be some risk if an employee leaves the company and join another company but yet the level of risk is lowest compared to licensing and joint venture.

According to Yigang (2000), the choices of entry modes have been seen from a hierarchical perspective. Modes are placed in different hierarchical order based on the level of resource commitment, risk exposure, control and profit potential from export to wholly owned subsidiary. Also, the nature and position of the modes in hierarchy allows the modes to be compared with each other. Managers usually make the decision on which entry modes to employ in order to enter a foreign market. The hierarchical model starts with equity modes and non-equity modes. Here the managers makes the first decision of choosing a mode and selects more specific mode within equity or non-equity mode. Two major categories of equity mode which are considered are wholly owned operations and equity joint ventures. For non-equity modes, contractual agreement and exports are considered by the managers (Yigang and David, 2000). From the other side, challenges which companies might face are competition in major industrial market and lack of experience, and operative knowledges in these markets (Douglas and Craig, 2004). In

addition, there might be lack of required resources, and competencies which might create a barrier to enter the international market (Douglas and Craig, 2004).

Douglas and Craig (2004) presented a range of alternative options to traditional market entry approaches, depending on the credibility of the management, the ability to commit resources in the international market, and the company's approach on whether to go for low-cost or differential in the market. These broad categories of entry strategies are: 1) Low cost commodity positioning 2) First generation technology 3) Manufacturer for private level 4) Specialized Niche Strategies 5) Strategic Alliances and 6) Reverse Strategic Alliances. These alternatives are not mutually exclusive, management can employ them based on the company strategies.

3.5.3 Influencing Factors in Foreign Market Entry Process

SME employs various internationalization path way when they enter foreign countries, and several factors in the form of *internal* and *external* variables influences in the stages of market entry process and international activities (Olejnik, 2014; Kuivalainen et al. 2012; Johanson and Vahlne, 1977 and 2009). Based on the RBV, that the performance of the firm is not determined based on the environmental factors but also internal resources comes into play. Internal resources include firms assets and capabilities, where the assets are comprised of the resource endowments a firm has accumulated (e.g., investments in the facilities), and capabilities are a firm's sophisticated skills and accumulated knowledge, which allows the firm to execute organizational processes, through use of its assets (Zou et al., 2003). The external factors are important factors to be considered as for the progress of a SME in the foreign market or recognizing the factor as an obstacle to entry (Kuivalainen, 2012). As rate of expansion is increasing, SMEs are facing challenges from this globalization, and are affected to a greater extent than a MNC would face (Kiran et al., 2013, Cavusgil et al., 2002, Meyer and Gelbuda, 2006). According to a publication by OECD (2000), a SME faces constraints from several factors such as finance, exploitation of technology, indifference in managerial capabilities, productivity issues and legal and regulatory barriers (Li 1991 and Ghemawat 2001). The barriers can be divided into two distinct types. First, the *internal barriers* are basically questioning the internal capabilities of the firm, which includes the company product or service pricing, high cost of internalization (European Commission et al. 2010). Second, the *external barriers* which are inflicted due to the business environment such as

lack of capital, lack of adequate information, lack of adequate public support and legal system and cost with paperwork associated with transport (European Commission et al. 2010).

Based on recent research carried out by OECD and APEC on the influence of external and internal factors on SME's internationalization, they were able to identify the following types of barriers: 1) Shortage of working capital; 2) identification of foreign opportunities; 3) Limited information to locate/analyze markets; 4) Inability to contact potential customers overseas; 5) Obtaining reliable foreign representation ; 6) Lack of managerial time to deal with internationalization; 7) Inadequate quantity of and/or untrained personnel for internationalization; 8) Difficulty in matching competitors' prices; 9) Lack of home government assistance/incentives; and 10) Excessive transportation costs (OECD, 2009). To note, these barrier were identified based on research from both developed market and emerging markets. For their research, the samples SMEs were carrying out their internationalization in following countries: Australia, Canada, Finland, Ireland, Korea, Spain, Sweden, Turkey, UK, and USA. Non-OECD countries like China, India, Indonesia, Russia, and South Africa were also investigated. These barriers presents us with areas in internationalization where barriers are more likely to arise and what the organizations need to be prepared for. The barriers are discussed in detail in the following sub sections.

3.5.3.1 Shortage of Working Capital

According to RBV, the SMEs gathers both tangible and intangible forms of resources (Westhead et al., 2001). Any shortfall in financial and physical resources can become constrain to internationalization. Previous research on SMEs trying to enter countries like Canada, China, Finland, India, Indonesia, Ireland, Ireland, Russia, South Africa, Spain, Sweden and Turkey are seen to be victim to issues such as limited access to main infrastructure operations and firm resources (Bilkey, 1977; OECD, 2009). In a study of Canadian international new ventures (INV) and early exporters have faced issues regarding finances and establishing international operations (OECD, 2009). The factors that impact the working capital, includes difficulties in obtaining finance, as people who fund have a higher perception of risks which arises from exchange rate volatility, differing regulatory environments in the target market, perceived cultural difficulties and political risks (OECD, 2006).

3.5.3.2 Limited Information to Locate/Analyze Markets

According to the Uppsala model by Johanson and Vahlne (1977), lack of knowledge was considered to be a serious obstacle for the development of internationalization operation. Meiri and Umemoto (2010) argues that previous knowledge through experience in networking, marketing, culture, and entrepreneurship activities determines the quality of internationalization of a SME. Varying in their experience, such as any level of limitation, significantly hinders the ability of the SME to locate and analyze foreign market. This has been highlighted by Johanson and Vahlne (1977) in their initial Uppsala model, which stated that gradual gain in knowledge about foreign markets and operations, incrementally increases the commitment towards the market. Hence, for SME to successfully extract information and operate in a foreign country, availability of knowledge based resource is important.

3.5.3.3 Identification of Foreign Opportunities

As SMEs are faced with limitation in time, competency, and financial resources, it has become quite difficult for the firms to search for new opportunities abroad and carry out expansion (OECD, 2009). Even if they have identified a new opportunity, it is quite difficult for them to look for data to analyze risk and profit of doing business in that market and most of the time retrieved data are inaccurate and misleading (OECD, 2006). In addition to that, Interaction of the SME with other actors in the network within host country is crucial, as this allows the organization to identify opportunities and exploit them (Larson, 1992; Johanson and Vahlne, 2009; Almodóvar and Rugman, 2015). The strong position in the network, prevents the company from experiencing liability of outsidership and foreignness. Liability of outsidership and foreignness restricts SMEs from accessing the resources, and knowledge of the host country, and identification of business opportunities (Johanson and Vahlne, 2009).

3.5.3.4 Obtaining Reliable Foreign Representation

Access to the right customer group is a problem for any firms who are looking to enter an unfamiliar market (OECD, 2006). Large firms often employ team of experienced people to

represent and initiate their plan in the target market, but this method is not a feasible option for SMEs. Effective operation and handling of overseas representative body from a distance is very complex and places heavy demand on the SME manager's time and capabilities, due to SMEs lack of resources compared to MNCs (OECD, 2006; Kiran et al., 2013). They often employ a third party agent in order to reach these customers and it can be a difficult task to search, manage and integrate into the SME's company operations, so that they are able to convey the right message and onboard new customers (OECD, 2006). Risks involved in hiring agents are ending up with someone who does not actually understand your company and unable to represent that company in a foreign market (OECD, 2009).

3.5.3.5 Lack of Managerial Time to Deal with Internationalization

Lack of managerial time is simply referred to the limited time frame the managers are confined in. In the study performed by OECD (2009) American and Canadian firms have shown that managerial risk perceptions and lack of knowledge about international markets were major reasons for not engaging in international trade. In conjunction to this, a facilitating reason could be the manager's commitment to contribute in internationalization, and ownership are vital for expansion (Yener et al., 2014). Olejnik (2014) argues that the capabilities, characteristics and experience plays vital role. Hence, the overall attributes of managers and experience in internationalization determines to what level of commitment they are willing to contribute towards internationalization process.

3.5.3.6 Inadequate Quantity of and/or Untrained Personnel for Internationalization

In addition to manager's internationalization knowledge, trust building and increasing commitments, it is essential to have an adequate amount of staff with similar attributes on-board the team, working on internationalization (OECD, 2008). Lack of managerial skills and inadequate quantity, couple as a strong barrier as it results in poor management strategy and vision (Franco, 2010) This barrier gives rise to complexity in the internationalization planning and thus can lead to failure (Franco, 2010).

Among many managerial skills, communication is an essential pre-requisite for conducting business abroad and are often seen as a crucial barrier. Among untrained personnel, it has been seen to be absent in many international business situations and it often led to start of various problems (Harzing and Feely, 2008). To achieve co-ordination, enhance communication exchange and facilitate knowledge transfer in accurate form, participating organization parties need to carry out *informal day-to-day changes in communication patterns, structural solutions at organizational level and bridge individuals* (Feely and Harzing, 2003; Harzing and Feely, 2008; Harzing, Köster, and Magner, 2011). Also adjusting communication mode helps, as partner might not perform well in communicating in all mode of communication. Some individuals might perform well over verbal communication than written (Harzing, Köster, and Magner, 2011).

3.5.3.7 Inability to Contact Potential Overseas Customers

SMEs which have successfully identified the potential foreign market might have variety of obstacles relevant to their industry and operations. Market specific knowledge is essential as it helps to generate business opportunities and drives the internationalization process (Johanson and Vahlne, 1977). SMEs which are relatively new to internationalization or less experienced, faces problems with lack of knowledge about best possible entry modes, identifying potential customers, and operating in foreign market (OECD, 2006). This is primarily due to organizations position within the network, as the strength of the relationship with the customers, distributors and suppliers, is correlated to what level of access the SME might have to the resources within the host market (Johanson and Mattson, 1988). Therefore, all these collectively affects SMEs ability to identify the potential customers in new overseas market. Ultimately, causing the SMEs to make imperfect market entry decision (OECD, 2006).

3.5.3.8 Difficulty in Matching Competitors' Prices

This barrier displays the struggle of a SME to compete with other firms in the foreign market in pricing strategy (OECD, 2008). When it comes to selling product or service, the perception of

the SME's own product is a big concern (European Commission, 2010). Competitive prices is a big issue (OECD, 2008). According to a study done by European Commission, competitive pricing is considered the most important barrier for among SMEs (European Commission, 2010).

3.5.3.9 Lack of Home Government Assistance/Incentives

OECD (2008) identified lack of government support as one of the top barriers when entering a foreign country. It has been observed that firms with lack of experience in internationalization, poor self-analysis, regarding their own capabilities, often blame the government support and other agents for their failure (OECD, 2008). However, there might also be cases of lack of awareness about the available government supports as it is seen lack of managerial capabilities to be one of the barrier. In addition to that, as poor performance is connected to external factors, institutional support is considered one of the factor along with limited access to finance, poor market conditions, and inadequate number of staff (Franco, 2010).

3.5.3.10 Excessive Transportation Costs

The global communications and transportations has become more efficient in past years as trade agreements are opening up national markets to foreign competition (OECD, 2008). At the same time, the transportation cost has been seen to increase, and managing costs in certain areas like in-market transportation and distribution cost has become a problem (OECD, 2006). This level of difficulty in this case would vary based on the market which the SME has decided to enter. Also, a weak transportation and distribution makes the supply chain expensive to retail products for the entire country (Wei et al., 2007). The firm can avoid this barrier with right choice of high or low level of coordination of activities, and suitable geographical position of the configuration of activities, which helps in creating competitive advantages such as relative low costs (Porter, 1986). In addition to that, SMEs relationship with distributors within the foreign business network, enable the firm to access their distribution system, more cost effectively, as well giving them access to new markets.

3.6 CONCEPTUAL FRAMEWORK

In order to understand the implications of the outlined literatures and illustrate how they direct empirical data collection and analysis, a conceptual framework is presented.

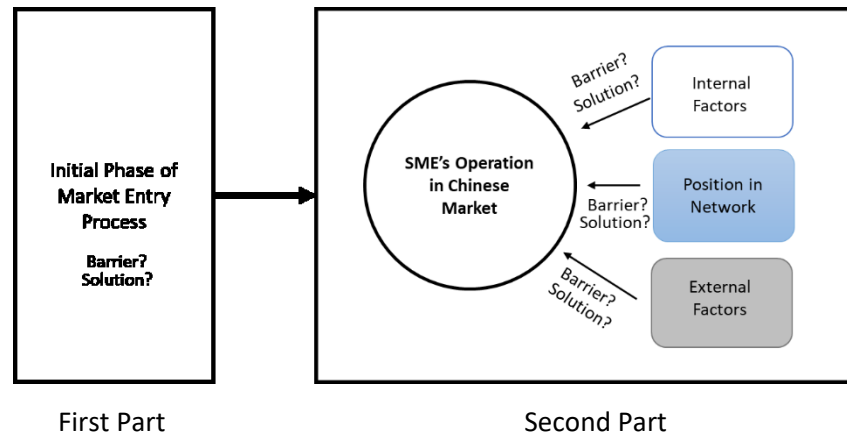


Figure 1: Conceptual Framework
Source: Created by the authors

The conceptual framework consists of two parts that aim to provide an answer to the research question related to identification of the challenges in market entry process to the Chinese market and to understand how the SME overcomes these challenges. In order to provide an answer to the research question, the authors need to study the entire market entry process, which they have done in two parts. First, the authors looked in to the initial market entry process of the company. Second, the authors studied the later phase, which is SME's operation within the Chinese market, to research the impacts of network position, internal factors and external factors on the business operation.

As firms gradually expand to a new market, it can experience constraints in one or several stages in their expansion strategy. Therefore in order to assess the barriers or constraints, the authors began the study with assessing the initial phase of market entry process to the Chinese market, which is illustrated in the *first part* of the framework (figure 1). This assessment is done based on the Uppsala internationalization model (Johanson and Vahlne, 1977), updated Uppsala model: business network model (Johanson and Vahlne, 2009), Resource based-View (RBV), Entrepreneurship theory and entry modes. Understanding company's resources, entrepreneurial

skill sets, managerial capabilities, and choice of entry modes would assist in identifying the process the Swedish SME underwent to carry out their expansion and the *barriers* they faced during the process. After the study of initial phase of the market entry process, the research moves forward to analyze the later phase and this movement is demonstrated by the arrow between first and second part. In the *second part*, the *internal factors* and *external* factors which influences the operations and the business within the Chinese market, along with the SME's *network position* are to be studied. The impact of these factors on the SME's business within the Chinese market are represented using the arrow marks. Assessing these external factors, internal factors, and network position would allow us to understand how the SME experiences liability of foreignness and liability of outsidership, and how is their performance within the network. The question mark represents the research gap which the authors are trying to fulfil, which is the knowledge about the barriers in entering the Chinese market and the solutions to overcome them.

From previous studies it has been seen that, a SME faces challenges in entering a foreign market in various areas of operations. To operate successfully in international market the firm needs to learn to manage the business from a distance by using variety of informal and formal contractual business relationships, acquiring different business regulation knowledges, customs, cultures, and languages, and developing proper marketing solutions, also getting the most out of government support programs (OECD, 2006; OECD, 2009; European Commission et al. 2010). This allows SMEs to take advantage of the external factors surrounding the business operation, and internal resources, and have a strong hold in the business network in the host emerging market.

Therefore, to identify new knowledge on the challenges, as well as improve previously known knowledge, the findings from the study of the entire market entry process would be compared with the past literatures on challenges. In addition to that, after the authors have identified the challenges, the behavior of the SME towards these challenges would be analyzed, in order to answer the second part of the research question, which is to identify the strategies to overcome the identified challenges. For this part, the analysis would be done through literature on internationalization models, identification of business opportunities and overcoming liability of outsidership.

4 EMPIRICAL FINDINGS

This section presents the empirical data collected on Cibes AB, and the Chinese market. The section starts with introduction of the company, followed by their historical and current company expansion strategies. Later, findings on Cibes' operation in the Chinese market is presented. Lastly, the section is concluded with the identified challenges of market entry process to the Chinese market.

4.1 COMPANY

4.1.1 Cibes Lift Group AB

Cibes Lift Group AB is a Swedish company, active in manufacture of lifting and handling equipment industry. Nalka Invest AB are the majority owner of Cibes Lift with 97% of the shares. Nalka themselves is owned by the Swiss-based Interogo Holding AG, a foundation that is a part of Interogo Foundation. Interogo Foundation is more known for the ownership of Inter IKEA Holding B.V., commonly known as Inter IKEA Group (Orbis, 2018; IKEA, 2018; Nalka, 2018a). The company was founded in 1947 by MR Bertil Svedberg and is today owned by Nalka Invest AB to 97% (Nalka, 2018), the remaining 3% is owned by managers in Cibes Lift (Engblom and Brandhammar, 2018).

The company's product portfolio contains niche products of modular lift solutions that do not require any larger adoption of the building they are installed in. The first products were goods lifts and today the product portfolio cover four categories of lifts; Platform Lifts, Cabin Style Lifts, Disability Discrimination Act (DDA) / Goods lifts and Stairlifts and enhancements such as lubricant (Cibes, 2018b; Nalka, 2018c). The user market can be divided into two segments and Cibes plays in both these segments. These are buildings that need to be adapted for transport goods, or buildings that need to be adapted to increase the mobility of the disabled and elderly people.

4.1.2 History of Cibes Lift Group AB

The company came to inception in 1947 in Gävle, Sweden. The very first products were freight lifts, and they produced about 30 lifts a year during that period. In 1960, the company changed

their idea from producing freight lifts to lifts focused on disable person (Cibes, 2017 a). As the company moved forward, it advanced their technology and started manufacturing screw driven lifts. The Screw technology which is a replacement of traditional hydraulics, had become Cibes Lift's most important feature. In the 80s, as the company shifted their focus on building lift for the disable person, a model made from shaft walls, the A- lift gained popularity. Cibes Lift has seen a great rise in demand for their lifts in that period, mainly due to the implementation of the new legislation, which was about facilitating integration of people with disabilities in to the society (Cibes, 2017 a).

During the 80s, Cibes Lift started for the first time to export their products to other European countries. They started their export with Finland and Norway, and expand to other countries in later times. In the 90's they focused on the development of their lift technology and the launch of new models. In 1997, Cibes Lift expanded through export outside Scandinavia. During that period their production was situated at Järbo, Sweden.

Cibes Lift has expanded abroad through their three brands, Cibes Lift, Kalea Lifts and NTD lifts. They managed to provide customized solutions in the form of platform lifts, cabin lifts, and stair lifts for commercial, private and public places (Cibes, 2017 a).

Nalka are focused on investments in small and medium enterprises in the Nordic region and acquired Cibes Lift Group AB in June 2017 from R12 another Swedish investment company (Mynewsdesk, 2017). Cibes Lift Group owns three brands: Cibes Lift, Kalea Lifts and NTD Lifts (Cibes Lift Group, 2018). NTD Lifts has one dealer, XJ Elevator Private Limited, in New Delhi in there distribution network (NTD Lifts, 2018). In 2016 Schindler Lifts (Singapore) Pte Ltd acquired 51% of XJ Elevator Private Limited (Schindler, 2016) and the products offerings by XJ Elevator are marketed as developed in partnership with Siemens (XJ Elevator, 2018). Cibes Lift Group has a number of subsidiaries in Europe and Asia, where the book value of European subsidiaries in 2016 was over 98% of Cibes Lifts Group total book value and the Asia subsidiaries were accounted for less than 2% (Annual Report, 2016).

4.1.3 Historic Expansion Strategy

The company initially started their expansion through export in 80's to Finland and Norway, but later down the line they employed different entry modes to enter foreign markets. In between 2005 and 2009, Cibes Lift acquired several companies, and their turnover rose sharply, exports got stronger within the Europe region. Their subsidiaries in Netherlands (Aesylyften) and the UK (Axess4all) were very strong during that period. They kept building their organization through further acquisition and marketing of their low speed lift technology and establishment of new subsidiaries, acquisitions and sales offices across the world. They shifted their production to Gävle, a small town in Sweden in 2012, where they built their high-tech facility which allowed them to produce better products. In the followings years, Cibes Lift setup subsidiaries in Finland in 2013, Hong Kong in 2015, Norway in 2014, Shanghai in 2015, Spain in 2015 and France in 2015. Currently, the company has around 560 employees, with 250 people employed in nine countries and sales of around SEK 500 million (Cibes Lift Group, 2018c; Cibes Lift Group, 2017).

Lift MENA DWC-LLC are a joint venture company, the agreement where relished the first of June 2016 between the Al-Qaqa Group and the Cibes Lift Group. Before the agreement Cibes Lift Group operated with 15 distributers in the Middle East. Al-Qaqa Group is operating in Middle East, Europe, Africa and Asia with 600 employees (Mynewsdesk, 2016). Al-Qaqa Group also has partner agreement with Shanghai Mitsubishi Elevators Co., Ltd and Atlantis Lifts Ltd UK both in elevators and escalators industry. Cobiex Technologies AG, buildings material industry. Qlean Air Scandinavia AB, air filtration solutions industry. Safeline Sweden AB, emergency communication system industry. Semperit AG, rubber manufacturers industry (Al Qaqa Group, 2018).

4.1.4 Current Company Internationalization Process

The ownerships directives and networks have been driving factors in decision making in the last 15 years. Even though Cibes has had a large share of own decision rights, having investment firm as an owner, the expectation of growth are high compared to other sorts of ownerships. When R12 Kapital AB recruited Mats Engblom in 2012 as CEO of Cibes from Sandvik AB, the initial expectation of the investors were that he would expand the company by a high number of acquisitions. However, Engblom himself were uncertain that the company were mature enough or had the administrative capabilities to handle a high number of acquisitions direct after he got the position. Instead he turned his focus inside the company and developed the entire business model in three phases of restructuring:

Phase 1: Consolidation of productions operation to one geographical location for secure production.

Phase 2: Focusing on ensure high and even quality of products in operation and logistic.

Phase 3: Geographical expansion by acquisition in marketing, sale and service activities.

Cibes began the consolidation of productions phase in 2012 to avoid conflicts between different segments in production line. During that period, Cibes Lift Group considerate plants and distribution centers at other locations, in order to avoid import duties and cost-efficient transportations. In parallel to the restructuring of primary activities, support activities were consolidated to the same geographical area as production. The sourcing for human resources were done during the first two restructuring phase, mostly focusing on increasing headquarter administrative capabilities in Gävle, for example in 2014 the CFO Mathias Brandhammar was recruited at headquarter during this process. Between the years 2013/2014 the third phase was brought into main focus along with searching for new markets and key local resources.

During the third phase in their expansion to foreign market, Cibes employed as much resources as possible to carry out market research before the management body made any decision. The factors they considered to make expansion decisions were: information on construction and

investment on FDI, demand for their products, the feasibility of knowledge sharing, players in the market and the legal system.

Information about construction and large FDI were considered important as foreign investment requires large amount of resource commitment and high costs, which are associated with the setting up of business infrastructure, operation and monitoring. Moreover, there are risk associated to competition and any failure in the operation may lead to scrapping of the entire construction and losing of employees to competitors in the market. Second, the analysis of the demand of the product is essential. According to Cibes Lift, the demand of slow lift in the foreign market is considered to be driven by a feeling of possessing luxury products and falls under luxury segments. This allows the company to set marketing strategy and pricing strategy accordingly. Third, the feasibility of knowledge sharing needs to be assessed. Cibes Lift carries out the transfer of knowledge within the organizations, business partners and customers through information technology system (ITS). The communication over internet has developed extensively and ITS enables Cibes Lift to market and sale their elevators. Cibes focuses in digital sales with better digital customer interaction over their website and customer relationship management systems. This facilitating Cibes Lift to access customer's preferences, demand and other geographical statistics related to marketing and sales. Lastly, acquiring knowledge about the actors in the network which are related to Cibes Lift's business, these involve the distributors, competitors, legal institutions and government bodies.

Historically, Cibes Lift entered foreign market through distributors, and they carried out marketing, sales, installation and other services. The reason behind this approach was to lower the costs, as having these primary activities in-house increase investments and lower the margins. Also, International Sales section, that sale through distributors, are more profitable than the fully owned sale channels. As the new market grows, the interaction between the old and new distributors within the industry increases as well. Therefore the competition increases and new principal organization often approaches the established distributors with new products and opportunities. Hence, maintaining a healthy relationships with current distributors are considered very important by Cibes Lift. Loyal distributors are faithful compared to new distributors and do not easily shift to new producers.

Cibes International Sales as well as competitors that have been focused mainly on distributors has shown good profit. The growth is on the other side, lower compared to Cibes Lift subsidiaries of fully owned sale channels. In some markets there are both subsidiaries that focusing on sales and distribute for the same company. There are also examples where interaction with competitors has led to losing distributors in the market and forcing to re-enter with subsidiaries.

When the vision to establish Cibes in a new market is coming from inside the company, it is often based on a managers earlier working experiences with that specific country or city. Here market analysis has been used to get a second opinion on entry modes and market potentials. However, it has been more important to finding the right person when sourcing for the country manager or distributor than what result the market report has stated. The firm over time has built up structures for souring the right country manager when they decide for establishing their own subsidiaries. The sourcing for a country manager is often focusing on using company's network and owner's network. It is important to find someone trustworthy and with shared vision and it has turn out to be successful to work with them. However to assure an even quality, a second opinion and benchmarking against other possible suitable person are done by an external head hunting firm. The next part in the process has been to take in the new country managers' local knowledge and personal opinions. As most subsidiaries have had a large part of local decision right, this part has had important effects on location.

4.1.5 Operations in Foreign Network

As Cibes Lift had consolidated their production facility in Sweden, the company's main focus in foreign market was in two areas of business, *marketing* and *sales*. The company has been able to achieve success in these two business areas through several customization in their operations based on their assessment of the market. Such as, in Netherland, Cibes Lift had been able to increase their sales through taking advantage of the developed transportation systems within the country and high population density. This has allowed Cibes Lift to save time for traveling between customers to provide products and services. In addition to taking advantage of the transportation system and population density, the company has invested in physical show rooms to display their product and attract customers.

As Cibes Lift AB expand into new markets, the company gets exposed to environment less similar to home market, hence, the need for knowledge transfer related to customers' preferences in foreign markets were increased. As a response to the increased need for costumers' preferences, Swedish headquarter build up and manage a data bank with marketing materials for different preference groups, which local sales offices and distributors with local knowledge about customer's preferences can utilize. This contributed in continuous development of the products and marketing materials to create customized products and services.

4.2 EXPANSION TO CHINA

4.2.1 China

China has experienced rapid economic growth and social development after their market reforms in 1978. China is currently the second largest economy in the world with a population of 1.3 billion and has an average GDP growth of 10% per year (World Bank, 2018). The country has played important role in the development of the global economy since the global crisis in 2008. It is still a developing country though as per capita income is just a fraction in comparison with advanced countries and it market reforms are incomplete. According to a report done by World Bank (2018), the current poverty standard were 55 million poor people in the rural areas in 2015 (per capita rural net income of RMB 2,300 per year in 2010 constant prices). The country is currently facing many challenges with the rapid growth in their economy such as high inequality; rapid urbanization; challenges to environmental sustainability; and external imbalances (World Bank, 2018). Despite the challenges, Chinese government is moving forward with the focus on high-quality growth through credit growth; increase in health, education and social transfers; pollution control; increasing the role of market forces, fostering openness, and modernizing policy frameworks (IMF, 2018).

4.2.2 About the Chinese Market

The growth of the Chinese middle class has been rising rapidly, which now has become the largest in the world (Orr, 2014). Mathias Brandhammar, CFO and Executive VP Business

Support at Cibes Lift, describe that the company in Europe usually selling to real estate developer and in the Asian markets their regular customers are private house owner. The selection of foreign markets and market entrances in some cases, such as Norway, being more stepwise and driven by a hot floor or a window of business opportunity for increase in commitment as well as market opportunity. Cibes Lift saw the Chinese market as an opportunity, as their products are very desirable among the middle high class private customers and above. According to current data received from Cibes Lift, they are currently leading the slow lift market in China, and they are close to sell 1000 units of lift this year (2018) which would be double the number from last year (2017). Meanwhile, e-commerce is expanding rapidly and has known a great success, increasing the availability to more cities around China. This has enabled Cibes Lift to utilize all type of social and commercial platforms to promote their product and reach out to large group of the targeted customer base. According to prior studies, there are about 860 million Chinese connected online (Marketing to China, 2017).

4.2.3 Expanding to the Chinese Market

The motivation to enter the Chinese market came from Cibes Lift's core goal to expand outside Europe in order to grow their global footprint and business. They had USA and China on their table as possible country to expand to. Among several criteria, the foundation of the expansion can be said that it was based on Sweden's trade history with China. The relationship between China and Sweden is quite stable at the moment. In 2017, Swedish export to China was about SEK 59 billion, which was around 30% increase since 2016 (46 billion SEK to China) (Sputnik, 2017; Business Sweden, 2018). Hence, China is at the moment Sweden's largest trading partner in Asia. At the moment China is experiencing economic reform, changing course from relying on exports and manufacturing to more service oriented economic model. In current reformation of China, emphasis has been put on areas where Sweden is more prevailed, such as forest industry, health care and life science, environment, energy and innovation (Orr, 2014). In addition, Cibes Lift had built relationships with other businesses and top management people in China through the company's experienced top management team, who already had previous experience with other businesses who expanded to west and east. The management of Cibes Lift were also

interested in the lift industry in china as they believed the market had large customer base, and already several European brands have already created a market for lifts and they wanted to be first with their innovative screw-driven and high quality lifts.

4.2.4 Choice of Entry Modes

In the prior ventures, Cibes Lift has entered several countries through export and similar approach was taken to enter the Chinese market. In order to understand more about the dynamics of the country, the top management board utilized their network position in China and gathered information regarding potential legal requirements, customer base, Chinese lift market and competitors. The entire process of gathering information and talking to several experts in China took around 2-3 months. Some of the top management board members in Cibes Lift themselves travelled to China to study the dynamics of the market thoroughly. They had meeting with legal people, competitors, and potential customers to understand the overall condition of the market. Finally, after all the discussions, market analysis, and establishing a proper business plan they entered the Chinese market in 2015 through export. Later, in their business period in last 3 years they have been able to establish 13 showrooms including 1 Shanghai Kalea showroom. Cibes Lift's Distributors have total 16 showrooms including 2 Kalea showrooms at Beijing and Dalian.

4.2.5 Operation of Cibes Lift in China

As it is explained in current company's strategy, the operations of the business in China is quite similar as to what they have been doing in other Asian countries. In detail the entire process can be discussed in few steps, which are: a) taking customer's order, b) placing order at the Cibes Lift production house in Sweden, d) delivery of goods to the customer's destination in China, and e) installation. In the first step, the sales team arranges a meeting with the customer, and exchange of information takes place. The Cibes Lift team explains them about the products, pricing and the contract details to the customer. At the same, Cibes Lift takes customers information, the dimensions, design, and other preferences. After finalizing the requirements, a contract is signed by customer regarding purchasing the product and as agreed in the contract the

customer pays 30-70% of the price of the invoice in advance. After the sale is confirmed, in second step of the process, an order is placed by Cibes Lift China using their web ordering system for a new lift, and forwarded to the production house in Sweden. Cibes Lift Sweden then produces the lift and after a certain batch of lifts have been produced, they are all boxed shipped from Gothenburg to Shanghai. Once the product leaves the Gothenburg port, Cibes Lift China pays Cibes Lift Sweden the price of the lift in full as no previous payment is made. In the third stage, once the product arrives in Shanghai, it is then distributed to the customer place through local transportation system. Upon receiving the lift, the installation is made by Cibes Lift China team and after the installation has been complete, the customer pays back the due payment. The customers also given the option to sign a service contract which facilities the customers to use Cibes Lift aftersales service. Currently, the after sales service not a big thing because most of the lifts are still under warranty. Within the second half of this year (2018) the after sales service will grow.

4.2.6 Influence of Internal and External factors in the Market Entry Process to the Chinese Market

The following section covers all the challenges which Cibes Lift came across during their market entry process to the Chinese market. The challenges are divided in to eight categories based on the influence from different types of *internal factors*, and *external factors*. Finance and human resource were established based on assessing the impact of internal factors, whereas, legal, politics, corruptions, transportation, and competition were based on assessing the impact of external factors. Network position was formulated through assessing both internal and external factors.

4.2.6.1 Network Position

The internationalization of Cibes Lift to the Chinese market was initiated with the help of networking within the Chinese market. According to Mathias Brandhammar (CFO and Exec. VP Business Support) everyone in the top executive body possesses contacts within different networks in different country. At the planning stage of expansion to Chinese, all the information they gathered were through Samson Popowitz (Managing Director, China and SE Asia , Cibes

Lift) , who had extensive network within the Chinese market. Samson was the main contact person that time in China and with his knowledge about the dynamics of the Chinese market, legal and administrative system, Cibes Lift managed to set up their business in China within 2-3 months from the time of planning. Even though their position within the network assisted with the expansion, the quality and the quantity of market knowledge with which they entered the market were not reliable and enough for smooth operations within the Chinese market.

Mathias Brandhammar (CFO and Exec. VP Business Support) said that, having good connections with actors within the Chinese network facilitated the expansion but the data on which the market analysis done beforehand were not accurate. He explains that, the reason behind this the actors within the lift industry are very competitive, and they are reluctant to share market information among themselves. This is the case for all types of organizations who were doing business with elevator companies, the distributors, dealers, local manufacturer, marketer and business consultancy firms. The data which Cibes Lift used to carry out their market analysis were basically estimation which were collected from the Chinese market. On top of that, the estimations were either blown out of proportion or below the actual data. This was realized by Cibes Lift when they started their business in China and they were not able to see projected sales from the market as their forecast was off by large margin due to wrong numbers in their planning.

4.2.6.2 Finance

The difficulty in investing arose when the company decided to place a factory in China. But this investment step was questioned by Engblom, who had earlier business experience from Asia, and he was skeptic against the recommendations of a factory. The decision to make such huge investment on establishing a factory was scrapped after considering the time and resources took for the establishment of fabric in Gävle, in a culture where Cibes Lift operates best. Therefore, to make a logical investment, the company invested in exporting the lifts and in the sales channel, which were a reasonable investment according to the top management. Opening up a new fabric before establishing sale channels was not seen as a feasible option. Instead they invested on export and sales channel in China. Nevertheless, in the coming years they invested in establishing new local sales office in different locations in China. This investment choice was

logical, as Cibes Lift's main goal was to expand to Asian market, and establishing sales office would give them a strong hold in the network. Moreover, the physical presence helped the company to market to show case their product to customers, handle legal and accounting processes locally.

4.2.6.3 Human Resource

Currently 85 employees are working in China, and all of them are directly employed by Cibes Lift. Almost 100% of the employees are hired locally from China. There are no expats who are currently working in China but in past the company had a single service manager from UK and in coming months there is a plan to send a Swedish expat to China. Cibes Lift has no issue regarding hiring, training or managing employees. Most critical barrier Cibes Lift faced in this situation was language. The top management of Cibes Lift believes that effective and efficient cross border communication is important as the markets are becoming more global. To be able to hold a competitive position in the foreign market, the employees in the company should be well skilled in international languages. Currently, the employees are hired locally in order to bypass the language barrier, but this has enabled them to handle business within the Chinese market but the cross-border communication still remains. Among many management skills of the local employees, they lack English language skill quite extensively. English is the main language used to convey all the strategic directions from Sweden to the local offices in China. There had been occasions when the Chinese team misinterpreted these information and produced undesirable outcomes. To overcome this problem the Chinese employees uses a specialized software to understand the information which are in written form. This software translates all written information in English to Chinese. This process is not entirely accurate but according to Cibes Lift, this solution is efficient at the moment. All of the operations within China is carried out in their local language form, therefore, it is not an essential criteria join the team as other qualifications are more important in an employee than being skilled in a second language.

4.2.6.4 Legal

China has one of the most complex accounting and compliance system in the world due to its underperformance for its level of economic development. There are few constrains in the legal framework in China which Cibes Lift came across in their operation in China.

First, the products which are to be in sold in China needs to be registered, certified or licensed by relevant Chinese authority. China Compulsory Certification (CCC), is a similar certification for standardization of product quality like the European CE system (China Certification, 2018). It is considered the most important certification as it is license for foreign investors to enter the Chinese market with export goods. CCC is issued by one of the government approved bodies. In addition to this, some special manufactured goods require additional certification. Such as for elevators in case of Cibes Lift, the product has to go through regulation for **approval process for high risk equipment** (Quality Partnerships LLC, 2018).

Second, the restriction on the cash outflow from China. It is not difficult to invest in the country or if you are a Chinese investor looking to make foreign investment out of China, but the challenge is for all foreign investors. The process requires lot of documentation, and quite time consuming but as long there are proper documentation of invoices and other transaction information, it is possible to transfer money out of China. In recent, after the VAT reform, China has been able to streamline the tax system by applying VAT in all industries. Previously, it was difficult for industries to identify the correct VAT structure for their product as there were six VAT rates for exporting goods and services, including zero (China Briefing, 2017). Recently, to tackle this situation Chinese government has cut down the 13% VAT bracket to lower the tax burden and simplify the process, but yet many businesses are uncertain in which category of the VAT does their goods or services falls in. There is also new transfer pricing regulation, which requires the related-enterprise to fill in 9 to 22 forms, and most of these forms need to be filled in Chinese language (China Briefing, 2017). Also, there are requirements for parties to prepare contemporaneous documentation in Chinese, if they are above a certain threshold and submit to the authorities.

Cibes Lift faces similar problem with lengthy documentation process to get earned money out of China. On the other hand, for Chinese investors, it is convenient to take the money out of the

country as long as they submit a plan to invest in foreign country. This is one of the main restriction regarding the cash outflow in China. Also there is a minimum upper limit on how much money you can transfer out of country. In summary it is not difficult to get money out of the country, lengthy process and proper documentation is required related to information of invoice and transaction. On top, it has to be within the upper limit. Similar constrain of lengthy documentation and submission process is seen when submitting taxes to the authorities. In Sweden, you have to send your tax filing and monthly reports regarding vat and tax to the authorities. Then the tax agency checks you to see if everything is happening correctly. In China, the scene is completely different. The company has to send a formal report which is signed by one director along with all the receipt, invoice, and sales invoices send it to the authority every month. Everything is done manually and it is checked by tax agency in China. Later the agency checks them and makes audit if anything is found wrong. Also, there is no facility to accrue cost unlike in Sweden.

Cibes Lift also faced restriction shifting their business within China. In comparison, in Sweden, if a location of the company needs to be shifted to another region/location within or outside the city then the company only has to make changes with the address in the tax agency but in the case for China, for example if a company is registered in Shanghai, it cannot be shifted in any other location in China. According to Cibes Lift, if someone wishes to change the location, they have to register a new company in the new area.

In china, a company needs to write down their specific scope of business during the registration process. The highlighted range of products/services in the document denotes that the company has legal right to sell them in the Chinese market. Therefore, any companies who are planning to establish a business within the Chinese market needs to plan carefully before registering their company. If the company is registered as importing and exporting company, it would not be possible to carry out other activities apart from trade. Cibes Lift faced similar problem at one point of their expansion, when de planned to sale products which were not initially registered. Cibes Lift once made a decision to purchase glass panels for the lifts from vendors within China as it would be cost effective and fast, but they were not able to do so, as the government do not allow to do this with the current company business model which was only to export and sale and to make purchase locally and sell back to customers. If Cibes Lift wants to do something other

than import or export such as production, purchase and selling of different goods then they are required to make a new different company. Anything outside the stated business scope would not be allowed to sale under the same company brand within the Chinese market.

In order to handle all types of accounting and legal works, Cibes Lift has a dedicated department in every offices in china, and they work only on documentation, and handling of all legal activities with the tax authorities.

4.2.6.5 Intellectual property Protection

Cibes Lift are very much concern about their innovative technologies behind all their elevators. Their innovation in the lift manufacturing are their intellectual property which sets them apart from competition, especially their slow lift technology. Mathias Brandhammar believes having production within China would be risky in terms of threat to the company's intellectual property, hence, this is one of the reason for which Cibes Lift did not consider establishing a factory in China. Even though China has progressed a lot and the country's government has effective laws against protection of patents, trademarks, trade secrets and copyrights, there is still violation of intellectual properties (Husch Blackwell, 2018; Goldstein, 2018). Therefore, in order to protect the innovation of the lifts, Cibes Lift kept the production consolidated in Sweden and focused on marketing, distribution and sales section of the business in the Chinese market.

4.2.6.6 Corruption

The corruption level in China is high and it has made business operations and investment plans quite difficult to implement. Companies in general experience bribery, political interference or facilitation payments when acquiring public services and confronting the judicial system (BAC, 2017). Cibes Lift China is effected by Corruption mainly through crooked people in government body or tax agency who sometime tries to frame the company of doing something wrong which is not correct and in return they try to take out money from the company. Also there have been instances where public service, customs administration and judicial system asked for bribery in

order to facilitate a service or not to make false accusation over the company. Cibes Lift also had to struggle with arbitrary regulatory obstacles imposed by officials in order to extract bribes.

Also, there are other risks in the country regarding security, if any criminal activity has occurred in company, not much of action is taken by the police service despite the company pays for the security in China (BAC, 2017).

4.2.6.7 Transportation

The Transportation system of goods within China consists of highway transportation, railway transportation, water transportation, and air transportation. For Cibes Lift's operation, land transportation is mainly used as it is cost effective but quite inefficient. The reason behind the inefficiency is the complex nature of delivering goods within the country but it can be debated at some point. For instance, the transportation of the lifts within a city is quite cheap, but between cities it can be expensive. Nevertheless, the transportation cost is quite affordable by Cibes Lift China, and it is well within the margin allocated for transportation cost. Even though the cost is minimum and covered within the price of the product, there are issues of complexity when it comes to delivery good from one city to another. There are no single distribution company which handles distribution all over the country. In order to handle this problem, Cibes Lift China works with few numbers of distributors who work across the region where the company is operating. So whenever the goods crossing from one region to another then a different distributor takes over the delivery. Moreover, the highway systems in China are not developed. Most city roads within major cities in China are under constructions, especially the highways (Cherry, 2005). In addition to that the traffics are chaotic and unregulated. Nevertheless, transportations of the lifts throughout the country is done through land transportation. Despite, poor conditions of roads and traffic, land transportation are considered cost effective and fast compared to other available transportation modes. The lifts are send by using minivan or small trucks to customers within the city or within different region of the country. The national and provincial highways are quite smooth and are a pleasure to drive on, and less congested, hence provide fast transportation (BESC, 2018). Cibes Lift, also uses train transportation when they need to cover large distance and transport to distance cities, or when the road conditions are not well.

4.2.6.8 Competition

The main competitors of Cibes Lift in the Chinese market are the European brands, and only few Chinese brands. Cibes Lift is facing direct competition from Aritco, and Barduva through similar lift technology of screw-driven lifts; NOVA, Dongnan and DMS is competing through their hydraulic lifts; and Kleeman, ThyssenKrupp and Sakura through traditional lift technology. Cibes Lift considers the traditional conventional lifts as indirect competitors and the major players with this products are Hitachi, Otis and many more small companies. These companies compete more in pricing strategy and they do not fight on the ground of innovation. Also, the competitors target a different customer base, who are usually belonged to the middle class and the products are mainly the fast lifts. Cibes Lift is keeping ahead of these competition with their vigorous marketing techniques, focusing on promoting and contacting customers through the Chinese social platform and Cibes Lift's website. In addition to their marketing across the internet, Cibes Lift chose to establish the 'showroom' concept in different major cities of the country to display their lifts and give the customers opportunity to experience the lifts before they make any purchase decisions. In order to reach and share the experience of Cibes Lifts to large number of customers, the company till date established 13 showrooms including 1 Shanghai Kalea showroom. Cibes Lift's Distributors have total 16 showrooms including 2 Kalea showrooms at Beijing and Dalian. Also, Cibes Lift believes that their target market is attracted to high quality product and there is a particular demand of these products in the market. So, the superior quality of their product are seen to be drawing in more customers, especially after they started to showcase their products in the showrooms. Mathias Brandhammar said with all the vigorous marketing and showroom implementation, the sales of Cibes Lift have doubled since 2017. With the marketing and product quality having been their key success factors, the company is looking forward to close the year (2018) with their highest total sales in the Chinese market with 1000 units.

5 ANALYSIS

This section analyzes the empirical data collected in the previous section against the literature review in the theoretical framework. The analysis begins with the study of the market entry process of Cibes Lift to the Chinese market. Secondly, the external and internal factors and network position were assessed in order to analyze the impact of these factors on the company's market entry process and operation within the Chinese market. By comparing the findings with the literature, the analysis provides a foundation for answering the research question in the conclusion section.

5.1 MARKET ENTRY PROCESS OF CIBES LIFT TO THE CHINESE MARKET

The market entry process of Cibes Lift to the Chinese market, followed an incremental process just as described in the Uppsala internationalization model by Johanson and Vahlne (1977). Cibes Lift entered the Chinese market initially in 2015 through export and through gradual expansion to the international market, the company increased their commitment to operations as they enter the foreign market. It was argued by Ulrich et al. (2014) and Ripollés et al. (2012) that for the Chinese market, higher commitment modes are feasible options as the country had higher market potential and lower rated risk compared to other BRIC countries. But it has been seen that the approach to enter Chinese through low commitment mode was more feasible approach. Cibes Lift initially did considered to expand through setting up a high commitment mode i.e. production and wholly owned subsidiary but decided to scrap the idea due to several constrains from both internal and external factors. The plan required very high resource commitment, such as the establishment of a factory, creating a distribution and sales channel, monitoring of the activities within the Chinese market. Also, Cibes Lift was concerned highly about their innovations and did not trust the Chinese laws concerning the protection of intellectual property. Therefore the company progressed in later stage through setup of physical infrastructure, which were company showrooms in several major cities of the country.

The decision to choose the export mode was also facilitated by the strong network position, which the company had in the Chinese market. It is stated in the updated Uppsala model, that a

strong position in the relevant market makes the company an insider and facilitate in learning from the actors within the network, and gain access to resources, which ultimately leads to increase in commitment to the market (Johanson and Vahlne, 2009). For Cibes Lift, Samson Popowitz was that person in their top management who had good connections within the Chinese market. Popowitz's knowledge about the dynamics of the Chinese market and his contacts in legal, administrative, marketing, sales and distribution sectors had allowed Cibes Lift to gather adequate data which supported their objective to expand to the Chinese market and justification of choosing the export mode as their initial strategy.

Despite the company had strong position within the Chinese market, the nature of the business environment did no deliver proper insight of the market, as the company was facing the *liabilities of foreignness and outsidership*. The data which they received were overwhelming compared to the actual scenario in the Chinese market. The reason behind this was to some extent related to the nature of the market. The actors in the market are quite secretive when it comes to sharing their company or market information, such as, sales, distribution coverage, market share, and etcetera. The high competitive nature of the industry did not allow them to share this information with other competitors and actors in the value chain. Nevertheless, Cibes Lift believed that the information which they gather were to some extent adequate just enough to get the expansion plan in motion. The negative effect of the wrong information were experienced by Cibes after they started the business in the Chinese market. The sales figures were below the forecasted figures by large margin, as forecast were unrealistic due to wrong data. A strong position in the relevant network makes the firm an insider, and gives it the opportunity to learn and grow through development of trust and relationships (Johanson and Vahlne, 2009; Larson, 1992). And Cibes Lift were able to minimize the impact of lack of quality market information through building relationships and trust among the actors in the value chain as they continued their business in the market. Currently, with better hold in the network position and first hand data collection through distributors and own employees in China, have enabled the company to grow in the Chinese market.

Hence, through assessing the market entry process of the company to the Chinese market, it became evident that despite having a strong position within the market, the company faced constrains due to liability of foreignness and outsidership. This was mainly due to the external

factors which Cibes had no control over, nor could having a strong position within the market influence. This factors were the competitive nature of the market, the secretive attitude of the actors in the market, and the threat of infringement of the intellectual property protection laws.

5.2 INFLUENCE OF INTERNAL AND EXTERNAL FACTORS IN THE MARKET ENTRY PROCESS TO THE CHINESE MARKET

As from the assessment of Cibes Lift's market entry process to the Chinese market, it has been observed that the company had experienced constrains due to *liability of foreignness* and *outsidership* throughout their stages of market entry process. This part of the section would analyze in greater details of the *internal* and *external factors* and their impacts on Cibes Lift's market entry process and business operation within the Chinese market. The challenges are identified through assessing the areas of finance, human resource, legal, politics, transportation, and market competition. These are then analyzed through comparison with previous knowledge on challenges, internationalization process to emerging markets, and market entry process to the Chinese market. The analysis also revealed the behavior of the organization towards the challenges and their procedure to overcome these constrains. The challenges and the company's attempt to overcome them is presented under different title of category of challenges.

5.2.1 Investment to Enter China

According to Resource-based view (RBV), lack of financial and physical resource investment has been considered to be the major barrier in entering new markets (Westhead et al., 2001). But this can be debated as it is seen from the study of the case, the investment level and the challenges associated with it entirely depends on the type entry mode which has been preferred by the company. Cibes Lift, avoided from being affected by constrain of lack of financial support for their expansion to the Chinese market and operations within the market. They were able to do this through making a logical choice between starting the expansion through an equity mode and non-equity mode. If the company had chosen to go with their initial plan of establishing a factory in China, which involved very high level of resources commitment and investment, the company would have been positioning themselves in a very unpredictable market environment. The market is termed by the authors to be unpredictable as the initial market information which Cibes

Lift had was inflated and not accurate. The initial research indicated that the market was very lucrative, and to meet the demand of the market would require local production facility but turns out these information were not true, rather inflated values obtained from the actors in the market. Therefore because of the lack of knowledge about the market, risk of intellectual property theft and high investment, the company proceeded with non-equity mode, export.

Even though, the company had chosen to employ export as their market entry strategy, there is still the risk of financial problems according to past research by Bilkey (1977) and OECD (2009), they confirmed that in early stages of export, company faces financial problems due to external factors in the market. However, Cibes Lift's strong position in network and experience in exporting lifts, limited their investment as it was strategies well to keep the entire operation well within the budget of Cibes Lift. Therefore, it can be considered that the shortage of investment can be a challenge if the improper mode is selected to expand to the Chinese market. Wrong investment step would led to wrong operation within the market and create further more complication. According to Cibes Lift, the initial investment on establishing a factory in the Chinese market would have cost them huge loss, as the initial market analysis did not give correct sales forecast due to inaccurate data, and therefore the factory would not have sustained. Therefore as long as the mode of entry is chosen wisely and in line with the company's capabilities and network position, the investment decision cannot be seen as an obstacle, as there would be ultimate good return from correct operation.

5.2.2 Information to Locate/Analyze Markets

According to literature, lack of knowledge is a major constrain when taking decision regarding internationalization (Johanson and Vahlne, 1977). As discussed earlier, this had large influence in the choice of mode of entry. The company faced difficulty in accessing adequate information about the market and the competitors. In the literature it has been argued that networking within the foreign country and having a strong position within the network, knowledge of the market can be achieved (Johanson and Mattsson's, 1988). But that does not confirm the authenticity and accuracy of the knowledge which had been extracted from the market. And the consequence of inaccurate market knowledge had been confirmed in the case of Cibes Lift's expansion, where the company almost made wrong investment decision. Cibes Lift proceeded with the expansion

based on the market analysis as it showed positive opportunities in target market size, product demand, sales and distribution, whereas the information were inflated values and inaccurate. Nevertheless, through the top managements' higher entrepreneurial alertness, they were able to filter out the necessary factors to consider to expand and followed a low commitment, non-equity mode to internationalize.

Cibes Lift realized the impact of limited knowledge of the Chinese market in later stages of their expansion. Initial access to market knowledge did not hamper with their decision to expand as the data they received were good enough for the company to proceed with expansion. But this limited information does create problem if the company wants to upgrade to later stages of expansion. Literature states that knowledge through experience in networking has impact on the quality of internationalization and it can cause obstruction to internationalization if there is any misleading information or limitation in information (Mejri and Umemoto, 2010). This was clearly experience by Cibes Lift in later stage when their sales did not match their forecast. Cibes conducted first hand market analysis and discovered that the initial forecast was overwhelming and was not close to realistic scenario of the market. The reason behind this mismatch in initial collection of data was the impact of the external factors, which are the actors in the market.

Hence, the network position within the Chinese market allowed Cibes Lift to obtain market information but not entirely in accurate form. Nevertheless, Cibes Lift was able to overcome this barrier and proceed with expansion through their top managements' entrepreneurial alertness and past experiences. As extraction of authentic and accurate information is core problem and remained not fully solved, it is therefore, considered a major obstacle in their decision making regarding the expansion to the Chinese market.

5.2.3 Identifying Foreign Opportunities

In order to understand the capability of the company in identifying foreign business opportunities, the authors assessed the management's capabilities, and company resources. According to past researches, it has been highlighted that to discover business opportunities, the SME needs to have capable management team, resources and networks with the actors in the Chinese market. (OECD, 2009; Larson, 1992; Johanson and Vahlne, 2009; Almodóvar and

Rugman, 2015). In the case study of Cibes Lift, it was seen that the company faced difficulty in identifying the potentiality of the Chinese market and this difficulty came from limited knowledge about the market, lack of accurate market data and knowledge about legal system. Johanson and Vahlne (2009) in the Uppsala internationalization model, emphasized that the relationship with the actors in the network helps the SME to discover new opportunities in the host country. The authors agree to some extent, despite the company faced difficulty in obtaining accurate data from the market, the company was able to identify the potentiality of the market to some extent through networking. Also, the existence of opportunity was confirmed through bold steps taken by experienced top management and Samson Popowitz, who had previous experiences in conducting business in China, and good networking in the Chinese market. This confirms, that identification of opportunity arises through social networking, focusing on affordable loss rather than the return, analysis of potential partners and having a vague idea of the goal to expand, so that one can leverage uncertainty (Dew and Sarasvathy, 2010; Schweizer et al., 2010).

In addition to that, Larson (1992) states, building trust through long term business increases the possibility for foreign SMEs to exploit their connections in the network. And this has been seen to work once they started their business, and it led them to maintain healthy relationships with legal people, competitors, and potential customers to understand the overall condition of the market. This ultimately led Cibes Lift to grow further in the Chinese market in later stage of expansion. Hence, previous experience, managerial knowledge and extensive network in the Chinese market played major role in identifying and exploiting foreign opportunities.

5.2.4 Obtaining Reliable Foreign Representation

It is difficult for SMEs to identify and position a reliable foreign representation within the Chinese market due to their lack of resources (Kiran et al., 2013; OECD, 2006). On the contrary, Cibes Lift being a SME managed to overcome this constrain through the company's top management team's entrepreneurship skills and dynamic capabilities. The top management team of Cibes Lift is comprised of experienced people with entrepreneurial mindset and their knowledge of the international market is quite vast, which lead them to identify Samson Popowitz in the Chinese market. Samson Popowitz was the contact person in China and the

liaison between headquarter in Sweden and the company offices and distributors in the Chinese market. Samson's knowledge and further contacts with distributors in the country led them to construct an effective distribution system. In addition to that, Samson's presence in the market allowed him to build relationship with the actors in the market and gain trust, which later in the period, assist Cibes Lift to establish physical structure, their showrooms throughout the country.

Therefore, it is evident that obtaining a foreign representation can be difficult in the Chinese market, but can be overcome through networking and dynamic capabilities of the top management team who are involved in making decisions regarding entering new markets. As foreign representation is required for the growth of the organization within the Chinese market, the role of relationships, trust and mutual resource commitment in the relationship between the actors of the market become important as well, just as stated in earlier researches (Muthusamy and White, 2005; Johanson and Vahlne, 2009).

5.2.5 Managerial Time to Deal with Expansion Strategy to Enter the Chinese Market

In the past studies, it has been emphasized that SMEs which are not fully dedicated in engaging in international trade and lack ownership may cause internationalization process to foreign market fail (OECD, 2009; Yener et al., 2014). Also in addition to that, organization facing liability of *outsidership*, and not being able to access market information, create constrains in foreign business operations (Johanson and Vahlne, 2009; Almodóvar and Rugman, 2015). The authors agree that lack of ownership coupled with lack of market knowledge can fail the entire internationalization process, and therefore the authors assessed on how Cibes Lifts communication and transfer of knowledge across border is carried out. It had been seen that Cibes Lift had no lack of managerial time, as there were seamless coordination between the management teams in the headquarters, and this enabled proper communication of the implementation of all strategic direction to the Chinese team. Moreover, the departments involved in looking after the business abroad, Treasury and Finance, Business Support, and International Sales arranged regular scheduled meetings in order to keep the Chinese team updated with strategic plans, receive feedback on the implementation and evaluate current business operation. Moreover all the strategic direction comes from headquarter, so keeping an allocated time frame for managerial meetings were top on their priority list. Cibes Lift's

experience in running business in foreign countries both inside and outside Europe, clearly reflected how important it is to schedule meetings, trainings and other communications effectively with the team in China.

5.2.6 Quantity of and/or Untrained Personnel for Expansion to the Chinese Market

Insufficient qualified, trained and skilled personnel involved in internationalization process creates complexity in the process (Franco, 2010). In relation to that, if the previous discussions observed carefully, Cibes Lift in their expansion to China, has not faced constrains regarding having untrained personnel. The top management team which carried out the decision to expand to China were very skilled and had previous experience with successful expansion in other foreign markets. Plus the networking had helped for the organization to identify proper employees and the managing director who looks after the entire operations in China. If looked deep into their recruitment system, the company always hired people with specialized skills based on the department they were looking for, and those hiring were done locally, hence helped to reduce impact of other factors like culture, norms and social setting. Despite that said, among managerial skills, communication skill is taken to an important trait in business as stated by Harzing and Freely (2008) and the Cibes employees in China office lacked cross country communication skill to some extent. Lack of communication skill alone cannot be taken to decide whether the employees were qualified or not, as other attributes surpasses in every other required skill segments. The authors identifies the lack of untrained/qualified employees as constrains but this is entirely linked to the capabilities of the organizations in terms of recruitment and what attributes the company requires in order to run the business.

5.2.7 Communication Barrier

As it has been observed earlier, the company faced communication barrier due to lack of cross border communication skills of the Chinese team. And as the organization become global with time, cross border communication skills are taken to be important attributes when it comes to conduct business operations across borders (Harzing and Feely, 2008; Feely and Harzing, 2003). Cibes Lift had acknowledged this as one of the major issues, as Swedish headquarter is required to convey strategic plans to Chinese team in English language rather than their local, Mandarin

language. This led to misinterpretation of plans, due to lack of the Chinese employees English language skills. This consequence was heavily supported in past researches where it had been highlighted, for a SME to achieve co-ordination and correct knowledge transfer between departments and subsidiaries, the company needs to provide structural solutions at organization level and bridge individuals (Feely and Harzing, 2003; Harzing and Feely, 2008; Harzing, Köster, and Magner, 2011).

From the assessment, the authors identified the problem arose due to their exclusion of multilingual or bilingual skill (preferably Mandarin and English) as a requirement for recruitment in their recruitment system in China. The exclusion of this language skill criteria can be taken in consideration as Cibes Lift had the goal to achieve a streamlined communication system within the Chinese office, and for that it was essential to have local management as most of the documentation and communication in China are in Mandarin. Nevertheless, for efficient cross boarder communication, the knowledge of that particular mode of language is important, as correct form of communication of strategic plans, company information and feedbacks between parties are crucial. Though, in order to avoid misinterpretation, the Chinese team used language translation computer software. This system helped in exchange of information between the Swedish and Chinese team, but only in written communications. Software can only be used to translate documents and emails, so the Chinese team communicates well when it comes to written mode of communication but weak in verbal communication.

5.2.8 Ability to Contact Potential Overseas Customers

In contrast to past research, the authors recognizes constraints in ability to contact potential customer abroad. Through assessing Cibes Lift's approach to contacting customers abroad, it is seen that they had spent large amount of resources behind identifying and marketing to potential customers in China. In assessing Cibes Lift's operations in the Chinese market, the authors discovered, the organization focused in 3 areas, to gain the maximum exposure to the local market and create awareness of their products. *First*, the company focused on the language mode through which they can convey the marketing and sales materials. Therefore, everything was communicated through their local language. *Second*, identifying the places where the potential customers exists, and it was the online platforms in China. Cibes Lift had given high priority on

online channel as maximum of their customers have come through online interactions, and they are present in various Chinese social media sites, search engines and websites, as this platforms have millions of users. Lastly, bringing the experience of using their high quality lift to their customer, which is done through the showrooms in the cities.

Vigorous effort from marketing team on promoting and engaging with potential customers in every local online social platforms, showrooms and altering marketing contents to Mandarin, clearly portrays on the difficultness in engaging with the customers in China. For a successful implementation it is required by a SME to dedicate most of their resources and assistance from experienced and dynamic management team similar to Cibes Lifts.

5.2.9 Matching Competitors' Prices and Quality

Matching competitor's Pricing is considered to be one of the major issues when entering an emerging market according to previous studies, but it can also be debated in terms in which segment the company is competing in the country. The authors assessed this topic through the SMEs perspective, in order understand how the company wants to position themselves. It can be seen that Cibes lift took the approach to design and deliver products to satisfy customer needs or exceed them rather than following competition oriented approach (Wong et al., 2013). In addition that, Cibes lift focused in specialized niche category among different categories of entry strategies (Douglas and Craig, 2004). Therefore pricing strategy cannot be the main focus, if the company is entering through a specialized niche category. On the contrary, Cibes Lift operates within the specialized niche categories, targeting the niche group within the customer segment which are middle class and middle-high class customers. These segment is mainly focused on the quality of the product rather than pricing.

The authors believes, even though, Cibes Lift do not play in the low price segment, it does not rule out the impact of pricing strategy of the competitors. The company is seen to face competitions in terms of prices in the specialized niche category, where players in the market uses similar lift technology of screw-driven lifts at lower price points and these direct competition comes from Aritco, and Barduva in the Chinese market. Therefore, it can be argued that, despite belonging to a niche category, possessing similar technology, company might be affected by competitors pricing as well as level of quality. Also, as Cibes Lift is not trying to

match the competitor's pricing rather they are competing in terms of quality, the company is mainly facing challenge in matching quality than price.

5.2.10 Need for Home Government Assistance/Incentives

In order to understand the potential of Cibes Lift's internationalization capabilities, the authors studied their need of any home government assistance/incentives. . For Cibes Lift, the company did not required any kind of government assistance. Even though in past studies, absence of home government assistance such as consultancy service or government supported external agencies are considered constrains, the authors argued that, the requirement of these type of assistance depends on the SME's internationalization capabilities. So far into analysis, it has been seen, Cibes Lift's experience in market entry process, managerial capabilities and competencies to run the operation within the Chinese market do not require assistance from a third party. Moreover, Cibes Lift highly rely on their network whenever it comes to market analysis, or implementing new strategies in foreign market, therefore they do not need government support other than the legal and accounting services are which are core parts of any business operations.

5.2.11 Quality of Transportation System

According to past research on internationalization, Excessive Transportation cost are seen to be a barrier rather than the quality of transportation (OECD, 2006). For transportation within China, the case was opposite, where it was the quality of transportation system within China which was a barrier. Wei et al. (2007) said weak transportation and distribution system is a problem and as consequence, it will increase the overall expense in the supply chain. Cibes Lift from the initial startup of their expansion till now have faced problem with transportation but that in terms of complexity of the distribution system within China and not the cost of distribution. This was because Cibes Lift have been able to incorporate the entire cost for transportation of the lift from Sweden to the customer in China in their price of the lift.

The complexity of the distribution system arises because of three reasons: 1) No single distribution company to handle distribution of products across country. 2) Transfer of goods between several distributors to reach the final destination. 3) Poor conditions of roads and traffic.

The absence of single distributor who controls operations in multiple cities, forces Cibes Lift to employ several distributors to transfer their lift to the customers. Every time the lift exchange the distributors, the cost and delivery time increases incrementally. Moreover, the condition of the roads and traffic makes the journey unpleasant for the lifts and there are possibility for the quality of the product to be compromised. Nevertheless, Cibes Lift handles this through maintaining relationships with major distribution companies across major cities, and this helps them to avail priority services such as having their goods delivered as fast as possible with less increase in costs.

5.2.12 Possible Legal Constrains and Corruption

Complex accounting, legal and compliance system are seen to be some of the major external factors which made the operations within China quite challenging for Cibes Lift. Firstly, due to lengthy and time consuming documentation and accounting process in order to get money out of the country. Secondly, restriction in moving the business within China, which requires extensive paper work and the company needs to register themselves newly in different location. In addition to that, Cibes Lift cannot carry out different businesses under the same business model of export and import in China. If the company wishes to carry out a different business then they have to open a new company. Despite the complex and strict legal and regulatory barrier, the laws for protection of intellectual property are not effective. According to Cibes' statement and articles on the nature of intellectual property protection in China by Husch Blackwell and Goldstein (2018), the laws do not stop innovation and intellectual property like patents, trademarks, and copyrights from being stolen. This is mainly due to lack of monitoring by the government on this activities. Thirdly, corruption is another external factor which is influencing Cibes Lift's business in the Chinese market. In their activities with the legal system and to acquire public services, the company had been asked for bribery in order to facilitate a service or to prevent corrupted officers from filing false accusation over the company.

In China, the complicated accounting, legal and compliance system are seen as regular practices, nevertheless, from a perspective of a foreign SME, it is a challenge as the company needs to adapt with many rules to operate within the country. So far Cibes Lift has been able to handle the accounting situation through their dedicated accounting department in their offices in China.

Also, Cibes Lift has right people to carry out activities like starting new businesses or shifting offices in future. So far Cibes Lift has not been able to handle the problem with corruption entirely, as it is deeply embedded in most part of the operations in China and nearly all actors are influenced by it.

5.3 SUMMARY OF THE IDENTIFIED CHALLENGES AND PROCEDURE TO OVERCOME THEM

The following table shows the challenges which were identified in the analysis section, as well as the procedures which Cibes Lift had employed to overcome the challenges and facilitate the expansion to the Chinese market. Both challenges and solutions were identified through assessing different areas of finance, human resources, legal, politics, transportation, network position and market competition. The challenges presented here are derived from the comparison of the empirical findings with previous knowledge on challenges to market entry process. Similarly, the solutions which are presented are compared with literatures on internationalization models, identification of business opportunities and overcoming liability of outsidership. Instead of solely deriving the solutions from empirical findings, comparison of the findings with current knowledge gave the authors assurance of the feasibility and viability of the presented solutions. Hence both the challenges and solution presented are empirically and theoretically deduced.

Summary of the identified challenges and procedures to overcome them.

Category	Challenges	Procedure to Overcome
Investment to enter China	Lack of Investment Capabilities: Investment decisions are related to choice of entry mode and company can experience bad investment decision due to wrong choice of entry modes, which can make them incapable to internationalize.	Conducting proper market analysis through networking and first hand research with accurate market data. Leading to recognizing the correct entry modes and investment values.
Information to Locate/Analyze Markets	Difficulty in assessing accurate information about the market and the competitors.	Filtering market data which is only relevant to company's expansion strategy and improving the accuracy through verifying information through network relationship.
Identifying Foreign Opportunities	Difficulty in identifying foreign opportunity due to limited and inaccurate information regarding the Chinese market and the legal system.	Gradual establishment of relationships with legal people, competitors, and potential customers to understand the overall condition of the market.
Obtaining Reliable Foreign Representation	Difficult to identify a reliable contact person and to setup operations within the Chinese market.	Networking and Dynamic Capabilities of the top management.
Managerial Time to Deal with Expansion Strategy to Enter the Chinese Market	Inadequate dedicated capable management team to carry out market entry process.	Seamless coordination within management team and efficient cooperation with the Chinese team.
Quantity of and/or Untrained Personnel for Expansion to the Chinese Market	Recruiting personnel with the Chinese market operation, legal, marketing, sales and accounting knowledge	Recruiting within the Chinese market (Local recruiting).
Communication Barrier	Inefficient cross-border communication.	Incorporating the requirement for multilingual skill in the recruitment system. Utilize different modes of communication which would be suitable to transfer knowledge accurately across departments.
Ability to Contact Potential Overseas Customers	In adequate resources to utilize the correct channel to reach the target customers group.	Employing dedicated marketing team to focus marketing through local online social platform, company website and physical infrastructures

Matching Competitors' Prices and Quality	Tough to match price as Cibes Products are high quality and operates within the specialized niche segment.	Focus on strategies to compete within the segment the product is superior at. If the segment is quality oriented, then focus on quality, whereas for price sensitive segment, focus on pricing strategies.
Need for Home Government Assistance/Incentives	Dependence on government assistance: It varies with SMEs. If the company has issues with managerial capabilities, and competencies to run operations within China then they need government assistance.	Having experience management team with good managerial capabilities and network relationship.
Quality of Transportation System	Poor quality of transportation system making the delivery system lengthy and costly.	Incorporate cost efficiently within the value chain. Maintain relationship with distribution companies to deliver goods efficiently.
Possible Legal Constrains and Corruption	Complex and lengthy Legal system. Existence of corruption within government and legal system.	Follow local legal system strictly. Keep dedicated department to handle legal works.

Table 2: Summary of the identified challenges and procedures to overcome them.

Source: The table created by the authors

6 CONCLUSION

6.1 CONCLUSION

This research study's purpose was to study the market entry process of a Swedish SME to the Chinese market and identify the challenges associated with the entering process, as well as SME's behavior to overcome these challenges. This involved the authors to explore and examine potential internal and external barriers in entering an emerging market and compare them with the existing literature within the field of internationalization process and past research on the impacts of internal and external factors on internationalization.

The research question which was to be answered was:

What are the challenges a Swedish SME faces in entering the Chinese market and how does it overcome the identified challenges?

The question is answered in two parts: a) The challenges and b) Strategies to overcome these challenges.

a) The Challenges

Through a qualitative study of Cibes Lift and analysis on the empirical finding in relation to the literatures on internationalization process, entry strategies and impacts of internal and external factors, and comparison to earlier researched, several barriers have been identified. The challenges which have been identified are: Lack in investment capabilities to enter the Chinese market; Difficulty in assessing accurate market information, and identifying foreign opportunities; Inadequate resources to contact potential customers overseas; Inefficient cross-border communication; Need for home government assistance; Inadequate dedicated capable management team for expansion to the Chinese market; Challenge in recruiting the right employees; Poor qualities of transportation system; Complex legal constrains and corruptions; and challenge in matching competitors prices.

The study also showed, among the challenges which have been identified, every challenges affected the market entry process in varying level. For example, in the study of investment capabilities of the company. Cibes Lift did not in particular faced major problem with investment

capabilities as the investments were made logically based on the entry mode which was initially adopted. Nevertheless, it's a challenge which was identified, as any wrong choice in entry modes can lead to question whether the company will be able to make investment, also if any investment made, was it justified. Furthermore, the challenges related to assessing accurate market information, foreign opportunities, potential overseas customer and reliable foreign market representatives were experienced by Cibes Lift in earlier phase of the expansion which created greater impact on the organization's business operation. The impact of these challenges went down gradually with increase of Cibes Lifts presence in the Chinese market. These challenges arose due to lack of knowledge within the Chinese market, but Cibes Lift with their gradual expansion to the Chinese market were able to minimize the impacts of these barrier through positioning themselves better in the network and making further relationships with different actors in the value chain. Nevertheless, these challenges highlight the importance of quality information in internationalization, and relationship with the actors in networks, which have been highlighted in previous studies as well (Johanson and Vahlne, 2009; Johanson and Mattsson's, 1988; Mejri and Umemoto, 2010).

It was also seen in the study that some challenges arose due to market entry decisions and capabilities of the firm. Such as matching competitors prices would entirely depend on the company's business strategy and in which consumer segment they would be targeting, also the need for government assistance would depend on the experience, capabilities and their relationship within the network , if they lack in any of these criteria, they would be needed to seek assistance. Also, Cibes Lift's focus on recruiting personnel with only experience and skills to operate within different departments inside the Chinese market and leaving out the criteria of multilingual knowledge led to inefficient cross-border communication. Thus creating misinterpretation of the shared strategic information between Chinese team and Swedish headquarter.

On the other hand, challenges related to complicated and poor transportation system, complex legal system and corruption within the system were constant throughout the stages of market entry process. Rather they played major roles on deciding the entry mode as seen from Cibes Lift decision making process, where the company reformed their initial strategy of entering the Chinese market with a factory setup to export strategy due to threat to intellectual property.

b) Strategies to Overcome These Challenges

Along with the identified challenges, the authors also analyzed Cibes Lift's approach in tackling these challenges as they expand into the Chinese market. This study led to discover that the main driver to minimize the impacts of these challenges were the decision makers past experience and knowledge in foreign markets, expansion strategies, international recruitment system, possession of good managerial resources and capabilities and strong networks.

The study revealed that challenges which the company faced in the initial phase of the market entry process, regarding making investment decisions, gathering market information, and identifying market opportunities were overcome through relationships with the actors in the Chinese market, such as the legal people, competitors, distributors and potential customers. This enabled them to gather information about the Chinese market and led them to make logical investment decisions and choose correct entry mode to enter China. Nevertheless, there were issues regarding the authenticity of the data, so the company filtered the initial data and utilize information which was only relevant to expansion and later they refined the data once they entered the market.

When the company was running their operations within the Chinese market, the knowledge about the Chinese market, international recruitment system and managerial capabilities assisted most in overcoming the challenges which arose during their operation. Challenges related to obtaining reliable foreign representation, recruiting personnel and establishment of physical offices throughout the country were overcome through networking and establishing relationship with actors in the market. Using experience in international recruitment to hire locally, as well tackling lack of cross border communication skill through employing different mode of communication system. In addition to that, dynamic managerial capabilities allowed them to adapt to the market and compete in the market through differentiation, such as competing with quality of products rather focusing on pricing, adapting business structure to local legal and transportation system.

6.2 CONTRIBUTION TO PREVIOUS LITERATURE

In previous literature study, it has been discussed that as an organization expands, it experiences challenges in every stages of internationalization process (Ruigrok, Amann and Wagner, 2007; McGregor, 2008). Therefore, the current literatures studied these challenges of internationalization with focused on MNCs expansion to foreign markets, especially emerging markets (Khan, 2014; Sauvant, Maschek and McAllister, 2009). Even though, these knowledge on MNCs challenges provide insight to SMEs for their preparation to expand to emerging market, the information do not in general fit their business model, as said by Kim and Wright (2013), “One size fits all” is not a feasible approach in internationalization. In previous studies on SMEs entering process to the Chinese market, several barriers have been identified and how they have affected the choice of entry modes and operations within the country. And the studies involved assessing the challenges were based on group sample countries, and not focused entirely on China (Bruton et al., 2008, OECD, 2009).

In this study on the expansion to the Chinese market, the researchers have been able to serve this gap in knowledge about the barriers to entry for SMEs to enter the Chinese market. The study provided a set of challenges which a SME experiences during their market entry process to the Chinese market. Moreover, the current research verified previous findings, plus contributes in adding some new challenges to previous researches, such as the investment decisions are related to choice of entry modes and bad investment decisions arises when a wrong choice is made, and this was not focused in previous literatures. Rather they talked about lack of capital. It is seen in this study that, the idea of having lack of capital can be avoided if a proper market analysis is carried out, which in returns present the SME with a choice of a correct entry mode to invest on. The authors add that a proper analysis can be carried out through utilizing current network, existing relationships or forming new ones, or through entering a new network (Schweizer, 2013). Also, the study highlighted cross-border communication barrier create difficulties in conveying strategic guidelines to the Chinese market. In previous literatures, matching competitors' prices were highlighted as a challenge, but with current study it has been seen that, not all companies plays with similar pricing strategy, and constrains also arises when it comes to matching quality. Also, challenges regarding quality of transportation system and complex legal

system and corruption have also been identified as major challenges which were not covered in previous researches.

Furthermore, this study has been able to strengthen previous literatures through identification of new challenges, and procedures of overcoming these challenges which had not been discussed previously. The solutions which have been discussed lies within the current theories regarding the internationalization model and they highlight quite extensively the importance of being an insider of the network in the foreign emerging market. The relationship building skills, trust and ownership have been the key driving force for entering the new market and they have been proved to be the major mediums for overcoming the challenges, supporting Schweizer's (2013) approach to overcoming the liability of outsidership. Also, it supports Johanson and Vahlne's (2009) statement that being an insider prevents the liabilities of outsidership as it allows to build trust and relationships. Even though, building relationships and increase in mutual commitment increase in achieving market knowledge (Muthusamy and White, 2005), the research highlights, retrieving market information is not sufficient unless the information is accurate and from an authentic source.

6.3 MANAGERIAL IMPLICATION

The study has been able to unveil some of the challenges which a company might face when expanding to the Chinese market, plus procedures to overcome these challenges and operate within the market. SMEs which are currently planning to expand to the Chinese market can utilize the knowledge of the challenges and solutions from this research to prepare the company and management body better for future expansion. The challenges discovered within the area of market information, foreign opportunities, and correct marketing channel, helps to bring awareness about the market condition within an emerging market. If any constrains in such fields occur then the most feasible solution would be to acquire accurate market knowledge through establishing relationships with actors within the emerging market and having a dedicated capable management to carry out the market entry process and operations. Hence, it enables a SME to hire, create and organize a team with adequate managerial capabilities to extract market information from target emerging market and expand to that market. Furthermore, the

recruitment within the emerging market should be done locally, and hiring personnel with required set of experience and skills to operate within in different departments within the emerging market. Knowledge about barrier related to cross-border communication indicates that the SME needs to identify a proper language medium in order to transfer knowledge across countries, and also collect information in more clear and accurate form. Also, the knowledge about the legal and transportation system within the market prepares the organization on what to expect when setting up a business within the country. For example, in the Chinese market, the legal system is very complicated and requires a lot of documentation and registration, therefore a dedicated team to handle legal and other documentation system is found to be a feasible solution to handle this function. For problems regarding transportation, if SMEs looking to expand to the Chinese market, then they need to have good relationships with major delivery services, so that they get priority services, otherwise choose the distributor with large channel so that they are able to distribute efficiently and cost effectively. However, the challenges and procedures to overcome them are discussed in relation to the Chinese market but the categories of challenges which have been discussed are relevant for any SMEs when entering an emerging market, as these challenges are to seen appear in the core activities of a firm and in different stages of their expansion to a foreign market.

6.4 LIMITATIONS

This thesis had limitation in terms of time and resources. Also, the sample size for the interview was limited to the managers in the top management of Cibes Lift Group AB. There was an initial plan to conduct the interview of the managers situated in China based office, to have more detail insight from the people who are working at the distributor point and Cibes' office. But due to time constrain it did not become possible to conduct the interview. The interview of the employees within the Chinese market would have allowed us to access the firsthand knowledge of the local employees and would have given an in-depth view of the obstacles which the organization was facing. Secondly, the research was limited to the analysis of one company and its expansion to China, therefore the challenges and the solutions which were studied in this thesis were only based on results from the study of Cibes Lift only.

6.5 FUTURE RESEARCH

As for future research, it would be interesting to see if similar research was carried out in different industries and countries. As the current thesis focuses its research only in one industry, the challenges and solutions which have been discussed in thesis might vary based on the industry and foreign country where the company has expanded to. Therefore conducting similar study in different industries and countries would provide an array of challenges particular to the industry studied and the country. Also, it would be interesting to carry out a similar study across multiple industries. This would give the opportunity to identify the industry which would be most favorable to expand to. Lastly, the current research focused on a SME from a developed economy, and the authors believe interesting result might show up if research is done on a SME from a developing nation, which expanded to a developed economy or another emerging market.

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8 APPENDIX

8.1 INTERVIEW GUIDE

Interview Guide for Cibes Lift Group AB

Managers Background

1. What is your Job title in the company?
2. Which department do you work in?
3. How long have you been working in the company?
4. How long have you been working in the current position?

General Questions about the Firm

1. When was the company established?
2. How many employees are there in the company?
3. What are your products? Among these products which ones are innovative in nature and distinguishes the company from rest of the competitors? In what ways does these products different from competition?

Cibes Lift Expansion to foreign market

1. When Cibes Lift did first expanded to foreign?
2. What entry modes they used in the expansions?
3. In how many countries does the organization has presence of any kind? In what ways does these company established their presence in these countries?
4. How is the products being exported to the foreign countries (directly or indirectly)?
5. Who are the customers in these markets?
6. Among the countries expanded which one is the most successful expansion and why?

Questions regarding the Case country

Expansion to China Market

1. When specifically Cibes Lift entered China? Did you have the knowledge about the country's potential prior to that?
2. Prior to this was there any other link with any business in China, like distribution through third party, exporting, licensing.
3. Where do you have your business set up in China?
4. For market analysis purpose, how did you collect your information about the market? Was there any difficulty?
5. How have you been able to hunt for business opportunity in China?

6. What is the current Setup in China and the structure of the Team? Did you try to implement similar set up as in Sweden?
7. How many team members in the China Set up?
8. What was the objective of setting up the business in China? How was the turnover in last 2 years?

Finance

1. What were your investment in this internationalization process? How much did you invest?
2. What is the turnover from this market?
3. Is it the largest business among all the other countries?
4. What were the challenges faced in investments?

Human Resource

1. Do you have expats working in China from Sweden?
2. Any local hiring?
3. What is the ratio of local hiring and expat in China?
4. Working overseas and synchronizing everything from Sweden can be a hassle, show how do you do the time management?

Supply Chain

1. Where the good are manufactured?
2. What is the ordering system of Cibes Lift China?
3. How the goods are delivered from Sweden to China?

Transportation

1. Can you explain us the value chain/ logistic system of good in China?
2. Is any third party involved in distribution?
3. Are the cost of transportation system creates any sort obstacle to do business?

Customer Base and Marketing

1. How is the customer base in China?
2. How did you identify the potential customers in China Market?
3. What was your specific marketing strategy?

Competitions

1. Did you use any of agent or local companies to promote your product? Or for the purpose of Branding?
2. Who are the major competitors of Cibes Lift in the Chinese market?
3. How are you fighting with their pricing strategy?

Legal and Government

1. What are the main restriction or what are the main legal issues the company faces in China in order to do business?
2. What problems exist for the company regarding transportation of goods within the city and the country?
3. Do the operation of Cibes Lift in China gets any support from the government?
4. How the business is being effected through politics/corruption in the country?