

THE INTERNATIONALIZATION OF CHINESE SMEs.
THE CASE OF ANHUI PROVINCE

IE Business School Working Paper

EC8-125-I

06/02/2012

Guillermo Cardoza

IE Business School
Madrid, Spain

guillermo.cardoza@ie.edu

Gaston Fornes

University of Bristol (UK)
ESIC Business
& Marketing School (Spain)

g.fornes@bristol.ac.uk

Song Xu

Anhui University of Finance
and Economics(China)

aiftxs@163.com

Abstract

The paper aims to study the national and international expansion of SMEs from Anhui, China. The study focuses on the interaction of SMEs with the Government assessed through the development of specific industries as well as ownership and funding by the State, and the origins of the relative weakness of Chinese SMEs' competitive position. The data was collected from 154 SMEs and analysed using multivariate regressions; the models used the firms' export intensity at the regional, national, and international level as dependent variables. Seven models were run: the first one analysing the industry where SMEs operate, the second and third ones studying state funding and ownership, and the last four analysing a set of barriers hindering firms' expansion as independent variables. The results show that: a- SMEs operating in labour-intensive industries have better access to international markets, b- ownership and/or funding by the state do not play an important role in regional, national, and international expansion, and c- 11 barriers related to weak management skills and knowledge are hindering the expansion of Anhui's SMEs. The findings are then analysed vis-à-vis recent works on Chinese firms and conclusions are drawn.

Keywords: Emerging economy firms, SMEs, National and International Expansion, China

INTRODUCTION

Small and mid-sized enterprises (SMEs) from China account for around 50% of the country's GDP, are the source of 40% of tax income, and represent 60% of Chinese export value. They also comprise 99% of enterprises and provide 75% of the nation's jobs in urban areas (China Development Bank, 2007). The importance that the Chinese government places on SMEs has been underlined by a series of policies implemented in recent years to improve regulation and provide increased financial support. The State has also introduced measures to enable these organisations to survive the recent economic downturn, including tax breaks for small organisations, and reduction of other financial burdens (China Development Bank, 2010; Ministry of Commerce of the People's Republic of China, 2008a, 2008b, 2008c).

Yet many of these firms have not been able to develop the required level of competitiveness to expand to foreign markets (Jansson, Söderman, & Zhao, 2008) and the reasons explaining this situation need to be better understood. In effect, very little has been published on the national and international expansion of small enterprises compared, for example, to research in recent years on China's multinational corporations (MNCs) (Bhagat, McDevitt, & McDevitt, 2010; Boisot & Meyer, 2008; Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007; Child & Rodrigues, 2005; Fornes & Butt-Philip, 2011; Mathews, 2006; Rugman & Li, 2007; Rui & Yip, 2008; Williamson & Yin, 2009).

Also, the published studies are very narrow in focus and only covered a few areas; for example, Chen (2006) presented a description of the changes that happened in China that led to the development of SMEs while Jansson et al. (2008) researched the take-off process, and Sandberg (2009) analysed the SMEs internationalisation patterns and indirect exports. On the other hand Cardoza and Fornes (2009) studied barriers to internationalisation faced by Chinese SMEs, Boisot and Meyer (2008) developed different hypotheses on the environment

faced by China's SMEs through the analysis of transaction costs, and Zheng, O'Neil and Morrison (2009) focused on how innovative HR practices could improve the performance of SMEs in China. However, no strong body of literature has yet emerged providing a suitable theory applicable to the study of the expansion of Chinese SMEs.

In this context, this work will attempt (i) to assess the influence of the government (if any) in the development of SMEs from Anhui and, (ii) the barriers to their national and international expansion. This will be done, in the absence of an established theoretical framework, by an analysis of the key factors in the development of Chinese SMEs in the last two decades; for this reason the aim of this article is mainly to contribute to the discussion in this relatively new area of study rather than to provide definitive general conclusions.

In addition, a further contribution to the discussion will be the analysis of evidence from a region different from the increasingly studied coastal areas. The province of Anhui has a GDP per capita of around US\$2,245, 20% and 39% of those in the provinces of Shanghai and Guandong respectively. Also, Anhui's Exports/GDP ratio is around 10.5% compared to 87% in Shanghai and 96% in Guandong (Deutsche Bank, 2011).

This paper is structured as follows. First, a review of the literature along with the theoretical framework and research hypotheses are presented. Second, the aims, methodology and analysis of the data are explained. Third, the results of the analysis are discussed; and finally, a complete section is devoted to analysing the findings vis-à-vis those from previous works. The paper finishes with a summary and conclusions.

REVIEW OF THE LITERATURE AND KEY FACTORS IN THE DEVELOPMENT OF CHINESE SMEs

After China joined the WTO in 2001, and especially when the first evidence of the internationalisation of its companies appeared, a debate in the literature started on the fit of the Chinese case with existing internationalisation theories as Chinese companies seemed to be following a different pattern than that from their Western counterparts.

One of the first to question this fit were Child and Rodrigues (2005) who identified four differences with the context where mainstream theories have been developed: (i) the need to catch-up, (ii) the role of the government, (iii) the possible institutional dependence, and (iv) the Chinese culture with its subsequent relatively high psychic distance. Continuing with the debate, Mathews (2006) proposed the Linkage–Leverage–Learning (LLL) framework, an extension of the OLI paradigm (Dunning, 1977), based on the idea that “internationalization from the Asia Pacific region needs to be reconceived as a “pull” process as well as involving a push”, and that the internationalisation of these firms is based on a search for new resources to strengthen their competitive position rather than on “the possession of overwhelming domestic assets which can be exploited abroad” (Mathews, 2006).

Adding to the debate, Rui and Yip (2008) argued that Chinese outward direct investment (ODI) may have a *Strategic Intent* to achieve specific goals “to offset their competitive weaknesses and leveraging their unit ownership advantages, while making use of institutional incentives and minimizing institutional constraints” . In a similar line, Boisot and Meyer (2008) stated that “Chinese firms going abroad are doing so in pursuit of more efficient institutions” and as a result developed the concept of *Institutional Arbitrage*, the “exploitation of the differences between different institutional arrangements operating in different jurisdictions” .

Nevertheless, similar attempts to develop theoretical frameworks for the case of Chinese SMEs are still scarce and only few papers, focused on a limited areas of study, have been published in recent years (Boisot & Meyer, 2008; Cardoza & Fornes, 2009; Chen, 2006; Jansson et al., 2008; Sandberg, 2009; Zheng et al., 2009). Due to this, it has been deemed necessary to analyse the factors affecting the national and international expansion of Chinese SMEs during the last two decades and then compared this results vis-à-vis those published on MNCs; and subsequently, to devise research hypotheses that can contribute to the development of robust theories in the future.

Early stages in the development of Chinese SMEs.

It has been documented that the development of SMEs in China has gone through three main stages (Chen, 2006; Spar & Oi, 2006). The first one, from 1978 to 1992, was characterised by strong support and encouragement from the government to establish collective and self-employed enterprises.

The second stage, from 1992 to 2002, was characterised by the reform of state-owned SMEs and the encouragement of the non-public sector. The third stage began in 2002 when China passed the SMEs promotion law (Chen, 2006; Spar & Oi, 2006).

This process was led by important changes in the government's policy. In this context, two key factors for the development of SMEs in China were (i) the development of township and village enterprises (TVEs), and (ii) the development of the non-public sector and, in particular, privately-owned SMEs (Chen, 2006).

TVEs and the role of the government in the development of Chinese SMEs

Township and village enterprises are “small manufacturing operations led frequently by local communist officials” (Spar & Oi, 2006) that produced anything from local crafts to the manufacture of industrial equipment. Local authorities facilitated loans and they also used to

raise funds in many different ways (from retained earnings, agricultural profits, and loans from local banks). “Each township had its own rural savings and credit cooperative” that provided credits to the TVEs and also to the local farmers. “Over time, the TVEs grew fiercely competitive with each other, and, eventually, with the SOEs. They also became extremely successful, reinvesting their profits to fund growth” . These enterprises have also helped in the transfer of labour from rural areas to non-agricultural sectors and especially became vehicles from the government (local and national) to achieve objectives in their reform and development strategies (Chen, 2006).

The Chinese government’s participation in the development of SMEs has also been observed in the study of MNCs. Child & Rodrigues (2005) reported that many firms have received financial support and protection from the government to overcome their late-coming disadvantages. These supports were also mentioned in the case studies analysed by Rui and Yip (2008) and Rugman and Li (2007). Zeng and Williamson (2003) also reported that some companies have access to state-supported research. Buckley et al. (2007) added that the government supports some SOEs by having capital available at below-market rates and in subsidised or soft loans from banks influenced or owned by the government.

However, recent empirical studies have questioned this government support. For example, Ge and Ding (2008) reported that, “as a private enterprise, Galanz still finds it difficult to obtain loans from state-owned banks”. Also, a study on SMEs from Ningxia, (Cardoza & Fornes, 2009) found that state funding seems to be instrumental only during the first stages (local and regional) of Chinese SMEs’ expansion and that ownership by the state does not seem to play a role in their national expansion and internationalisation process.

This support from the Government, an element different from the pattern seen in Western companies, offers a platform for the first set of hypotheses in three areas identified in previous researches: (i) the selection of industries and/or local/national champions by the Government

to exploit country-specific advantages (Rugman & Li, 2007; Rui & Yip, 2008); (ii) the ownership by the Government to accelerate the growth and expansion of specific firms (Cardoza & Fornes, 2009; Child & Rodrigues, 2005), and, (iii) the financial support from the Government to achieve development and economic policy objectives (Chen, 2006; Spar & Oi, 2006). Based on these arguments the first three hypotheses can be formulated as follows:

H1: The regional, national and international expansion of Anhui's SMEs tends to be related to labour-intensive industries to exploit one of China's country-specific advantages.

H2: Ownership by the Chinese government (local or national) positively effects the regional, national, and international expansion of SMEs from Anhui.

H3: Financial support from the Chinese government (local or national) positively effects the regional, national, and international expansion of SMEs from Anhui.

The development of the non-public sector and of the privately-owned SMEs

The second factor for the growth of small business in China has been the development of the non-public sector and in particular of the privately-owned SMEs (Chen, 2006). This can be seen especially after 2004 when China amended the constitution to grant the non-state-owned economy a legal status which reflected the size of the changes going on in the country along with the encouragement for the development of business.

This new environment has helped to boost international activities from China's SMEs to the point where they are currently responsible for more than half of the country's exports. These exports provide evidence that Chinese SMEs in a relatively short period have been able to adapt their structures, practices, and competencies to successfully compete in the world markets via OEM agreements (Child & Rodrigues, 2005) or through their own efforts (Fornes & Butt-Philip, 2011).

However, studies on Chinese MNCs seem to question the strength of these capabilities by suggesting that these firms are going international based mainly on country specific advantages rather than on company specific ones (Buckley et al., 2007; Child & Rodrigues, 2005; Rugman & Li, 2007; Rui & Yip, 2008; Shoham & Rosenboim, 2009). In addition, in spite of the new environment for business resulting of the Chinese government's efforts to develop the non-public sector, perceived obstacles that are external to the SMEs and prevent their expansion seem to persist. In this sense, Boisot and Meyer (2008) said that administrative decentralisation in China has created the contrary effect by erecting higher formal and informal barriers to domestic trade and as a consequence increasing the transaction costs in an already fragmented domestic market; also Sandberg (2009) provided evidence that SMEs from China find indirect exports to be a suitable way to overcome barriers to access world markets especially in the initial stages of their internationalisation.

In fact, evidence from Ningxia, China, also shows that SMEs from this region face a set of difficulties that undermine the strengths of their capabilities (Cardoza & Fornes, 2009). This work shows that the perceived barriers are related mainly to weak management skills and knowledge regardless of the difference between internal and external, and that they can be grouped in barriers related to (i) Products, (ii) Operation and Logistics, (iii) Knowledge of International Business, and (iv) Skills (Cardoza & Fornes, 2009). Building upon the findings from Ningxia, the following hypotheses attempt to understand the barriers faced by Anhui's SMEs.

H4a: weak Product development abilities hinder the national and international expansion of SMEs from Anhui.

H4b: poor understanding of Operations and Logistics hampers the national and international expansion of Anhui's SMEs.

H4c: low Knowledge of International Business makes it more difficult for Anhui's SMEs to expand nationally and internationally.

H4d: weak management Skills deter SMEs from Anhui from expanding nationally and internationally.

SAMPLE, DEFINITIONS, AND METHODOLOGY

The data was collected through a survey applied to a sample of 170 senior managers and directors of SMEs in Anhui Province (data from only 154 questionnaires were used as the replies from the other 16 were not complete). Participants operate within similar idiosyncratic characteristics (managerial, organizational, and environmental) making the responses operative (Barret & Wilkinson, 1985) and, as a consequence, a similar contextual view of the challenges faced by their firms can be expected.

Table 1 presents selected answers from the survey. In this table it is possible to see that around 11% of the firms in the sample are owned by the state (more than a 50% stake). These companies operate mainly in manufacturing (41%), wholesale (13%), and professional services (10%). Most were founded more than six years ago, and the great majority of their managers are men (79%) between 35 and 54 years old, with a university education. These companies show a relatively high active participation by members of the managers' families. Most of these SMEs have funded their operations using loans, mainly from state-owned banks, in the last two years.

TABLE 1: SELECTED ANSWERS FROM THE SURVEY (n=170)

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

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

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

The definition of national and international expansion for SMEs used in this work is that proposed by Leonidou (2004): “the firm’s ability to initiate, to develop, or to sustain business operations” outside their local market. This definition was chosen to take account of the process that takes SMEs from local to regional, national, and international markets.

The data analysis is based on multivariate regression analyses using export intensity (the ratio of sales outside the companies’ region of origin, Anhui, to total sales) as a dependent variable and the answers from the survey as independent variables. Export intensity, a measure of expansion firm performance (Bonaccorsi, 1992; Calof, 1994) and used as a proxy for engagement in national and international economic activities in the models, was taken at three different levels: regional, national, and international. This three-level analysis considers the specific situation of the “unusually fragmented” Chinese market reported by Boisot and Meyer (2008) where “access to foreign markets is easier and cheaper than access to most of the country’s domestic markets”. The definition taken for SMEs is that given by the National Bureau of Statistics of China (2007) and can be seen in Table 2.

TABLE 2: DEFINITION OF SMALL AND MEDIUM-SIZED ENTERPRISES

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

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

For hypotheses 1, 2, and 3, multivariate regressions were run with export intensity at the different levels – regional, national, and international – as dependent variables, and the

industries where the SMEs are operating, the types of ownership of the SMEs, and the funding sources in the last two years as independent variables respectively. The models for hypotheses 1, 2, and 3 can be seen in equations 1, 2, and 3 below, a search for a parsimonious version of these equations then took place:

Industry

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

(Equation 1)

Ownership types

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

(Equation 2)

Funding sources

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Personal}_i + \theta_2 \text{State}_i + \theta_3 \text{Private}_i + \varepsilon_i \quad (\text{Equation 3})$$

where R_i , N_i , and I_i are the export intensity at the regional, national, and international level (respectively) of company i . The definition of the variables in Equations 1, 2, and 3 can be seen in Figure 1. For the purpose of the analysis of the results the variables in Equation 1 are grouped into labour-intensive (Manufacture, Hotel/Rest, Retail, Wholesale, Professional Services, Construction, and Transportation), and knowledge-intensive (IT, Real Estate, Health, and Financial Services). In this model it is important to mention that the great majority of the banks in Anhui are owned by the state (local or national).

FIGURE 1: DEFINITION OF VARIABLES

Scale Variables Using a 5-Point Likert-Type Scale			
Time	The daily management of the company does not give enough time to think about exports	Communication	Communication difficulties affect the normal development of business abroad
Skills	There are no persons in the company with the right skills to manage export-related activities	Payment	Payment collections make export activities more difficult
Product	The current product portfolio is not adequate to serve the identified international markets	Assistance	The government does not offer adequate assistance and incentives to carry out export activities
Design	The design of the firm's products is not adjusted to the needs and tastes of customers in markets overseas	Preferences	The different preferences, patterns, prices, and communication of customers in international markets make exports more difficult
Labels	The products' labels and packaging do not meet the requirements of the target markets	ExchRate	Exchange rate variations represent an important risk for the company's exports
PostSale	The company does not have the means to offer an adequate post-sale service to its customers overseas	Distribution	The company finds the distribution channels complex to serve international markets
Price	The retail price of the company's products are not adequate for the final consumers in international markets	DistAccess	It is complex and costly to access the distribution channels to export the company's products
Credit	It is difficult for the company to give credit to customers in international markets	Supply	The company finds many difficulties in adequately supplying international markets
Ordinal Variables			
Personal	Own Savings, Family, Second Mortgage, Credit Card, Loans from Friends, Inheritance, and Pension	Industry	Manufacture, Hotel/Rest, Retailer, Wholesaler, Professional Ss, IT, Construction, Transportation, Real estate, Finance/insurance, Health/Education/Social SS, Others.
State	Overdrafts, Subsidies, Leasing, Loans from Banks, and Subsidised Loans.	Private	Venture Capital, Suppliers, Other Business, Previous Years' Profits, Private Investors, and Depreciation.
Family	% of the company owned by the family.	FinancialInstitutions	% of the company owned by financial institutions.
SpecialPartnerships	% of the company owned by other partners, including JVs, OEM, and other international partners.		

For hypotheses 4a, 4b, 4c, and 4d, multivariate regressions were also run with export intensity at the different levels – regional, national, and international – as dependent variables, with a set barriers as independent variables (grouped following the findings from (Cardoza & Fornes, 2009)) used as proxy for weak Product development abilities, poor understanding of Operations and Logistics, low Knowledge of International Business, and weak management Skills respectively. This set of barriers to national and international expansion were operationalised using Leonidou's (2004) recollection of barriers hampering the international

development of SMEs¹. Data were gathered through a survey in the form of 5-point Likert-type scale questions designed to measure the perception of the barriers examined. The models for the hypotheses can be seen in equations 4a, 4b, 4c, and 4d below; a search for a parsimonious version of these equations then took place:

Weak product development abilities

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Product}_i + \theta_2 \text{Design}_i + \theta_3 \text{Labels}_i + \theta_4 \text{Price}_i + \varepsilon_i \quad (\text{Equation 4a})$$

Poor understanding of operations and logistics

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Postsale}_i + \theta_2 \text{Distribution}_i + \theta_3 \text{DistAccess}_i + \theta_4 \text{Supply}_i + \varepsilon_i \quad (\text{Equation 4b})$$

Low knowledge of international business

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Credit}_i + \theta_3 \text{Payment}_i + \theta_6 \text{Preferences}_i + \theta_9 \text{ExchRate}_i + \varepsilon_i \quad (\text{Equation 4c})$$

Weak management skills

$$R_i; N_i; I_i = \alpha + \theta_1 \text{Time}_i + \theta_2 \text{Skills}_i + \theta_3 \text{Communication}_i + \theta_4 \text{Assistance}_i + \varepsilon_i \quad (\text{Equation 4d})$$

where R_i , N_i , and I_i are the export intensity at the regional, national, and international level (respectively) of company i . The definition for these barriers is similar to that proposed by Leonidou (2004) and can be seen in Figure 1.

Robustness Checks

The models were checked for regression assumptions. The first check was specification, the omission or inclusion of irrelevant variables and the selection of an incorrect functional form.

¹ Leonidou Leonidou, L. 2004. An Analysis of the Barriers Hindering Small Business Export Development. Journal of Small Business Management, 42(3): 279-302. found two main types of barriers: (i) internal barriers are “associated with organizational resources/capabilities and company approach to export business” and can be broken down into Informational, Functional, and Marketing; on the other hand, (ii) external barriers are those “stemming from the home and host environment within which the firm operates” and can be classified as Procedural, Governmental, Task, and Environmental

This check can be seen in the process from Reg 1 to Reg 4 (Tables 10, 11, 12, and 13) from where the preferred model emerged. This process was carried out to test the robustness of the model, to avoid losses in the accuracy of the relevant coefficients' estimates, and to avoid a biased coefficient by estimating a linear function when the relationship between variables was nonlinear (Schroeder, Sjoquist, & Stephan, 1986). Secondly, different measures were put in place to avoid measurement errors, such as back translations and pilot testing of the questionnaire, data collected in similar contexts (as explained above), and the use of reliable sources to obtain second-hand data. Thirdly, *t*-statistics were adjusted by a heteroskedasticity correction in the regressions (White, 1980)² to test if error terms depend on factors included in the analysis. Finally, autocorrelation was checked by calculating the Durbin-Watson coefficient, and multicollinearity was tested through an analysis of the correlation coefficients between the variables in the model and the calculation of the Variance Inflation Factor (VIF).

RESULTS

Tables 3, 4, 5, 6, 7, 8, and 9 present the correlations matrices for the industry, ownership, funding, product, operations and logistics, knowledge of international business, and skills models respectively. Tables 3, 4, and 5 present the Pearson's ρ coefficient and Tables 6, 7, 8 and 9 show the Kendall's τ coefficient as the equi-distance in the Likert scales cannot be justified. As can be seen, in general, there are no signs of large correlation between the variables; the very few that show a relatively large correlation are, to a certain extent, expected owing to the apparent closeness of the concepts measured (Tables 3, 4, and 5) and the nature of the variables presented by Leonidou (2004) (Tables 6, 7, 8 and 9). The Durbin

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

Watson coefficients of the different models do not show autocorrelation³ and the VIFs do not present signs of multicollinearity. The original variables were kept in the model as it was considered that, even factoring in the closeness of the concepts, the variables do not depart from their independence mainly owing to the different contexts and purposes of the original data

^[3] Ownership: dr=1.68; dn=2.01; di=1.65. Funding: dr=1.64; dn=1.98; di=1.65. Industry: dr=1.86; dn=2.03; di=1.75. Product: dr=1.73; dn=2.02; di=1.60. Operations and Logistics: dr=1.72; dn=1.94; di=1.72. Knowledge of International Business: dr=1.78; dn=1.99; di=1.70. Skills: dr=1.74; dn=1.98; di=1.65.

TABLE 3: CORRELATION MATRIX FOR THE INDUSTRY MODEL – Pearson's ρ Coefficient

TABLE 4: CORRELATION MATRIX FOR THE OWNERSHIP MODEL – Pearson’s ρ Coefficient

TABLE 5: CORRELATION MATRIX FOR THE FUNDING SOURCES MODEL – Pearson’s ρ Coefficient

TABLE 6: CORRELATION MATRIX FOR THE PRODUCT MODEL - Kendall's τ Coefficient

	Product	Design	Labels	Price	VIF
Product	1.00				1.06
Design	.03	1.00			1.24
Labels	-.151*	.326**	1.00		1.39
Price	.07	.345**	.363**	1.00	1.39

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

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

TABLE 7: CORRELATION MATRIX FOR THE OPERATIONS AND LOGISTICS MODEL - Kendall's τ Coefficient

	PostSale	Distribution	DistAccess	Supply	VIF
PostSale	1.0				1.0
Distribution	-.183**	1.0			1.7
DistAccess	-.1	.525**	1.0		1.6
Supply	.0	.326**	.312**	1.0	1.2

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

TABLE 8: CORRELATION MATRIX FOR THE KNOWLEDGE OF INTERNATIONAL BUSINESS MODEL - Kendall's τ Coefficient

	Credit	Payment	Preferences	ExchRate	VIF
Credit	1.00				1.09
Payment	-.07	1.00			1.09
Preferences	.140*	.252**	1.00		1.20
ExchRate	-.14	.167*	.278**	1.00	1.12

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

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

TABLE 9: CORRELATION MATRIX FOR THE SKILLS MODEL - Kendall's τ Coefficient

	Time	Skills	Communication	Assistance	VIF
Time	1.0				1.3
Skills	-.348**	1.0			1.2
Communication	.138*	.0	1.0		1.1
Assistance	-.234**	.310**	.1	1.0	1.2

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

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

The results of running the seven models (Equations 1, 2, 3, 4a, 4b, 4c, and 4d) can be found in Tables 10, 11, 12, and 13. Each table presents three panels with the results for the three dependent variables, R_i , N_i , and I_i ; within each panel Reg1 shows the results of running the original models and then Reg 2, Reg 3, and Reg 4, (where applicable) present the results of running subsequent regressions in the search of the parsimonious versions of the equations. An analysis of the individual tables follows.

TABLE 10: RESULTS FROM A REGRESSION – Industry Model

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

TABLE 11: RESULTS FROM A REGRESSION – Ownership Model

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

TABLE 12: RESULTS FROM A REGRESSION – Funding Sources Model

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

TABLE 13: RESULTS FROM A REGRESSION – Models from hypothesis 4

	Panel J: Product model						Panel K: Operations and logistics model						Panel L: Knowledge of international business model						Panel M: Skills model					
	R _i		N _i		I _i		R _i		N _i		I _i		R _i		N _i		I _i		R _i		N _i		I _i	
	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t
a	0.27	2.78	0.31	2.37	0.44	3.42																		
Product	-0.03	-1.29	-0.04	-1.36	0.05	1.88																		
Design	0.07	2.86	-0.03	-0.76	-0.09	-2.57																		
Labels	-0.04	-1.24	-0.01	-0.23	-0.04	-0.94																		
Price	-0.04	-1.31	0.06	1.73	-0.02	-0.56																		
a							0.31	2.92	0.30	2.18	0.21	1.59												
PostSale							-0.01	-0.34	0.02	0.77	-0.09	-3.02												
Distribution							-0.03	-1.21	-0.02	-0.52	0.07	1.88												
DistAccess							0.01	0.27	-0.04	-1.07	0.00	-0.05												
Supply							-0.01	-0.31	0.03	0.96	0.02	0.76												
a													0.24	2.29	0.37	2.58	0.19	1.31						
Credit													-0.06	-2.69	-0.04	-1.49	0.05	1.95						
Payment													0.03	1.15	0.02	0.63	-0.02	-0.78						
Preferences													0.03	0.89	-0.02	-0.55	0.05	1.20						
ExchRate													-0.01	-0.27	0.02	0.46	-0.09	-2.11						
a																			0.13	1.04	0.41	2.60	0.38	2.42
Time																			0.00	-0.09	-0.05	-1.89	0.03	1.17
Skills																			0.02	0.83	0.00	-0.04	-0.07	-2.34
Communication																			-0.01	-0.31	0.02	0.69	0.02	0.52
Assistance																			0.02	0.66	-0.01	-0.24	-0.05	-1.50
R ²	0.07		0.03		0.11		0.02		0.03		0.12		0.06		0.03		0.08		0.01		0.03		0.11	
Durbin Watson	1.73		2.02		1.60		1.72		1.94		1.72		1.78		1.99		1.70		1.74		1.98		1.65	

Table 10 (industry model): panel A presents the results of running Equation 1 at the regional level, R_i . In this panel (Reg 3) it is possible to see that only *ProfessionalSs*, *IT*, *Transportation*, and *Health/Education/Social SS* are significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). Reg 3 in panel B (Equation 1 at the national level, N_i) shows that *Retail*, *Wholesale*, and *Real Estate* are also statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). Finally, Reg 1 in Panel C (Equation 1 at the international level, I_i) presents that only *Manufacture* is statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). This rejects *H1* at the regional and national levels, but accepts it at the international level.

Table 11 (ownership types model): panels D, E, and F present the results of running Equation 2 at the regional, R_i , national level, N_i , and international level R_i . In these panels (Reg 1) it is possible to see that no ownership type seems to facilitate the international expansion of the SMEs in the sample. This rejects *H2*.

Table 12 (funding sources model): similar to Table 9, no funding source seems to facilitate the international expansion of the SMEs in the sample (panels G, H, and I for the regional, national, and international levels respectively). These findings reject *H3*.

Table 13 (Product model): panel J presents the results of running Equation 4a at the regional, national, and international levels, R_i , N_i , and I_i . In this panel it is possible to see that *Product*, *Design*, and *Price* are statistically significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). These findings partially accept *H4a*.

Table 13 (Operations and Logistics model): panel K presents the results of running Equation 4b at the regional, national, and international levels, R_i , N_i , and I_i . In this panel it is possible to see that *Distribution* and *DistAccess* are statistical significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). These findings partially accept *H4b*.

Table 13 (Knowledge of International Business model): panel L presents the results of running Equation 4c at the regional, national, and international levels, R_i , N_i , and I_i . In this panel it is possible to see that *Payment* and *ExchRate* are statistical significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). These findings partially accept *H4c*.

Table 13 (Skills model): panel M presents the results of running Equation 4d at the regional, national, and international levels, R_i , N_i , and I_i . In this panel it is possible to see that *Skills* and *Communication* are statistical significant ($|\beta_m/S_b| > t_{n-3; 0.9}$). These findings partially accept *H4d*.

DISCUSSION

The findings in Equation 1 (H1) support what most previous works on China have found, that the Government seems to be facilitating the international expansion of certain industries. In addition, *Manufacture*, a labour-intensive industry, being statistically significant for the international expansion, partly supports one of the hypotheses posed by Boisot and Meyer (2008) by showing that *Manufacture* SMEs expand first to the international market than to the regional and national ones (this industry is not statistically significant at the regional or national levels).

However, at the same time, the results show that other industries (both knowledge and labour-intensive, and probably not chosen by the Government) are expanding to the regional and national levels too. This tends to suggest that the perceived “distance created by boundaries” (Boisot & Meyer, 2008) may not be high enough for SMEs as they are overcoming the relatively high transaction costs in the domestic market.

From H2 and H3 it can be seen that the support from the Government in the form of ownership and/or funding does not seem to be present in the expansion process of these SMEs. This is different from what has been reported in previous studies on MNCs

(Buckley et al., 2007; Child & Rodrigues, 2005; Ge & Ding, 2008; Rugman & Li, 2007; Rui & Yip, 2008; Shoham & Rosenboim, 2009). It is also different from the evidence from Ningxia's SMEs (Cardoza & Fornes, 2009), a relatively less economically developed region than Anhui, where it was found that the "support from the state in the form of funding seems to be instrumental in the first stages of their (local and regional) expansion" and also that the support from private sources of funding appears to facilitate the access to international markets.

These findings were unexpected. Possible explanations may be that: (i) the Government supports (or has supported) only a group of tier 1, national champions, or chosen companies in their international expansion process (as reported for example by (Buckley et al., 2007; Child & Rodrigues, 2005; Ge & Ding, 2008; Rugman & Li, 2007; Rui & Yip, 2008); (ii) the Government supports (or has supported) the expansion of firms only to politically or economically strategic markets (like the US and the EU to acquire capabilities, or Africa for natural resources, for example, as reported by (Shoham & Rosenboim, 2009)), and/or (iii) the Government supported the first wave of companies going abroad but as the number of firms grows this support tends to be less tangible. Or it can also be that there is a new breed of competitive companies and networks (Williamson & Yin, 2009; Zeng & Williamson, 2003) where the support of the government has not been a key element in their international expansion. In any of the cases, it is evident that further research is needed on the Government's support to SMEs and its role (if any) in their regional, national, and international expansion.

The results from Equations 4a, 4b, 4c, and 4d are among the first to identify the actual barriers faced by SMEs in China hindering their regional, national, and international expansion, and as a consequence weakening their competitive position. The results of the analysis present a situation where eleven barriers at regional, national, and international level are hindering the

expansion of Anhui's SMEs. Although a slightly different composition from what was found in Ningxia's SMEs (Cardoza & Fornes, 2009), the findings also show that the barriers are related mainly to weak management skills and knowledge regardless of the difference between internal and external. These findings suggest that Anhui Province's SMEs share this characteristic with other Chinese MNCs identified in previous works, for example (Fornes & Butt-Philip, 2009; Fornes & Butt Philip, 2011; Ge & Ding, 2008; Liu, Xiao, & Huang, 2008; Nolan, 2001; Rugman & Li, 2007).

The results from H4 (a, b, c, and d) are also among the first to show that different barriers affect the Chinese SMEs expansion at the different levels; regional, national, and international. Cardoza and Fornes (2009), for the case of Ningxia, argued that "overcoming these barriers generates useful knowledge that becomes key for the next stages in international expansion" and linked with this is the idea of leverage of organisational learning proposed by Mathews (2006).

On the other hand, an analysis of the results from H1, H2, H3, and H4 (a, b, c, and d) together provides revealing insights for the objectives of this paper, stimulating the discussion in this relatively new area of study and attempting to contribute with empirical evidence to the development of robust conceptual frameworks for Chinese SMEs. First, the results of the study do not seem to support the idea of Institutional Arbitrage proposed by Boisot and Meyer (2008), weak management skills question the ability of SMEs to get to know, analyse, and then pursue more efficient institutions abroad and therefore exploit different institutional arrangements. The results from industry (H1) seem to support this; SMEs from different industries are expanding to the regional and national level rather than leapfrogging the domestic market; only *Manufacture* SMEs are doing this as their international expansion is probably based on country-specific advantages (CSAs, such as low labour costs, etc.

(Rugman & Li, 2007)) and also because the Government has probably created special conditions for this industry

Second, although it was not the main focus of the data collected, it does not seem to be evidence hinting at elements of Strategic Intent in the results (in particular “entering new markets, expanding capabilities, building bases of resources and experiences, realizing a firm’s strategic transformation, and ultimately becoming a global leader” (Rui & Yip, 2008)). This can be expected as the idea of Strategic Intent has been developed for MNCs. However, there seems to be some evidence of Mathews’ LLL (Mathews, 2006) in particular leverage of organisational learning; Cardoza and Fornes (2009) reached a similar conclusion in their study of Ningxia.

SUMMARY AND CONCLUSIONS

This research work analysed the regional, national, and international expansion of SMEs from Anhui with a focus on two characteristics of Chinese firms found in previous studies: interaction with the Government (in the form of special conditions for industries, ownership by the State, and funding from the State), and relative weakness of SMEs’ competitive position (in the form of barriers grouped in four categories hindering the national and international expansion). The data was collected using a questionnaire based on Leonidou’s (2004) recollection of barriers to the international expansion of SMEs from Europe and North America; the data collected also included information related to the specific characteristics of Chinese companies, mainly ownership types and sources of funding. The industry where the SMEs operate was also included in the analysis. The study was based on multivariate regressions where the dependent variables were the export intensity (at three levels: regional, national, and international) of 154 SMEs from Anhui Province, and the independent variables were the answers from the questionnaire (internal and external barriers, ownership, funding sources, and industry).

The results show, first, that SMEs in *Manufacture*, a labour-intensive industry, leapfrog the domestic market but also firms in both knowledge and labour-intensive industries are expanding their operations at the regional and national level overcoming, thus, the relatively high transaction costs. Second, the support from the Government (in the form of ownership and/or funding) does not seem to have a role in the regional, national, and international expansion of SMEs from Anhui. Third, small firms in the sample seem to share one of the characteristics of their MNC counterparts – weak management and knowledge – and also different barriers appear at different levels of expansion.

The results obtained in this research attempt to contribute with empirical evidence to the development of robust conceptual frameworks for Chinese SMEs. In this context, the findings were contrasted vis-à-vis recently published theoretical frameworks developed mainly for MNCs. First, Institutional Arbitrage does not seem to be supported as the weak management skills and knowledge question the ability of firms to pursue more efficient institutions abroad, and also because SMEs in different industries are expanding to their regional and national markets overcoming the relatively high transaction costs. Second, there is no evidence hinting at Strategic Intent (but this was not the focus of the analysis). And third, the results tend to show that leverage of organisational learning, from Mathews' (2006) LLL may be present in the SMEs in the sample.

Unfortunately this study cannot go beyond the objective of stimulating the discussion in this emerging area of research due to the limitations given by the relatively small size of the sample and by the cross-sectional nature of the analysis. In the future, and when enough evidence from other provinces could be collected, larger samples along with time series analyses will be needed to give extra support to the findings and especially to develop more robust theoretical frameworks.

To conclude, the results presented in this paper show the need to continue the study of Chinese SMEs and their expansion. Also, the findings show that some of the characteristics of companies based in more developed coastal areas in China that started their international expansion earlier may not necessarily be the same as the features of firms in less economically developed regions.

REFERENCES

- Barret, N. & Wilkinson, I. 1985. Export stimulation: a segmentation study of the exporting problems of Australian manufacturing firms. European Journal of Marketing, 19(2): 53-72.
- Bhagat, R., McDevitt, A., & McDevitt, I. 2010. On Improving the Robustness of Asian Management Theories: Theoretical Anchors in the Era of Globalization. Asia Pacific Journal of Management, 27(2): 179-192.
- Boisot, M. & Meyer, M. 2008. Which Way Through the Open Door? Reflections on the Internationalization of Chinese Firms. Management and Organization Review, 4(3): 349-365.
- Bonaccorsi, A. 1992. On the relationship between firm size and export intensity. Journal of International Business Studies, 23(4): 605-635.
- Buckley, P., Clegg, J., Cross, A., Liu, X., Voss, H., & Zheng, P. 2007. The determinants of Chinese outward foreign direct investment. Journal of International Business Studies, 38(4): 499-518.
- Calof, J. 1994. The relationship between firm size and export behaviour revisited. Journal of International Business Studies, 25(2): 367-387.
- Cardoza, G. & Fornes, G. 2009. The Internationalisation of SMEs from China: the Case of Ningxia Hui Autonomous Region. Asia Pacific Journal of Management, DOI: 10.1007/s10490-009-9174-z.
- Chen, J. 2006. Development of Chinese Small and Medium-Sized Enterprises. Journal of Small Business and Enterprise Development, 13(2): 140-147.
- Child, J. & Rodrigues, S. 2005. The internationalization of Chinese firms: a case for theoretical extension? Management and Organization Review, 1(3): 381-410.
- China Development Bank; China Development Bank Social Responsibility Report; <http://www.cdb.com.cn/website/cdb/upfile/srr2007/index-en.html>; 3/9/2010.
- China Development Bank; SMEs an Ever-growing Driver of Economic Growth; <http://www.cdb.com.cn/English/NewsInfo.asp?NewsId=437>; 1/2/2010.

Deutsche Bank; DB Research;
[http://www.dbresearch.com/servlet/reweb2.ReWEB?rwnode=DBR_INTERNET_EN-PROD\\$RMLCHPM&rwsite=DBR_INTERNET_EN-PROD](http://www.dbresearch.com/servlet/reweb2.ReWEB?rwnode=DBR_INTERNET_EN-PROD$RMLCHPM&rwsite=DBR_INTERNET_EN-PROD), 20/4/2011.

Dunning, J. 1977. Trade, location of economic activity, and the MNE: a search for an eclectic approach. In B. Ohlin & P. O. Hesselborn & P. M. Wijkman (Eds.), The international allocation of economic activity. London: Macmillan.

Fornes, G. & Butt-Philip, A. 2009. Chinese Companies' Outward Internationalisation to Emerging Countries: the Case of Latin America. Chinese Business Review, 7(1): 13-28.

Fornes, G. & Butt-Philip, A. 2011. Chinese MNEs and Latin America. A Review. International Journal of Emerging Markets, 6(2).

Fornes, G. & Butt Philip, A. 2011. The China-Latin America Axis. Emerging markets and the future of globalisation. Basingstoke: Palgrave Macmillan.

Ge, G. & Ding, D. 2008. A Strategic Analysis of Sourcing Chinese Manufacturers: the Case of Galanz. Asia Pacific Journal of Management, 25(4): 667-683.

Jansson, H., Söderman, S., & Zhao, X. 2008. The Take-Off Process: Intial Internationalization of Small and Medium-sized Enterprises from China. Paper presented at the EIBA, Tallinn.

Leonidou, L. 2004. An Analysis of the Barriers Hindering Small Business Export Development. Journal of Small Business Management, 42(3): 279-302.

Liu, X., Xiao, W., & Huang, X. 2008. Bounded Entrepreneurship and Internationalisation of Indigenous Private-Owned Firms. International Business Review, 17(4): 488-508.

Mathews, J. 2006. Dragon Multinationals: new players in 21st century globalization. Asia Pacific Journal of Management, 23(1): 5-27.

Ministry of Commerce of the People's Republic of China; China allocates \$512 mln to support small enterprises;
<http://english.mofcom.gov.cn/aarticle/counselorsreport/asiareport/200808/20080805736435.html> ; 21/8/08.

Ministry of Commerce of the People's Republic of China; China doubles ceiling for company small mortgage loans;
<http://english.mofcom.gov.cn/aarticle/counselorsreport/westernasiaandaficareport/200808/20080805735188.html>; 21/8/08.

Ministry of Commerce of the People's Republic of China; China to scrap administrative fees for small businesses; <http://english.mofcom.gov.cn/aarticle/counselorsreport/westernasiaandaficareport/200808/20080805740063.html>; 24/8/2008.

National Bureau of Statistics of China; <http://www.stats.gov.cn/english/>; 27/6/07.

Nolan, P. 2001. China and the global economy. Basingstoke: Palgrave.

Rugman, A. & Li, J. 2007. Will China's multinationals succeed globally or regionally? European Management Journal, 25(5): 333-343.

Rui, H. & Yip, G. 2008. Foreign Acquisitions by Chinese Firms: a strategic intent perspective. Journal of World Business, 43(2): 213-226.

Sandberg, S. 2009. Internationalization patterns of Chinese SMEs: Take Off Nodes and Initial Stages of Internationalization. In EIBA (Ed.), Research on Knowledge, Innovation and Internationalization (Progress In International Business Research) Vol. 4: 89-114. Bingley: Emerald.

Schroeder, L., Sjoquist, D., & Stephan, P. 1986. Understanding Regression Analysis. An Introductory Guide. Beverly Hills: SAGE.

Shoham, A. & Rosenboim, M. 2009. China's new approach to ODI in Africa: a model for a government seeking natural resources. In I. Alon & J. Chang & M. Fetscherin & C. Lattemann (Eds.), China Rules. Globalization and Political Transformation. Basingstoke and New York: Palgrave Macmillan.

Spar, D. & Oi, J. 2006. China: Building "Capitalism with socialist characteristics". Harvard Business School Cases, 9-706-041.

White, H. 1980. A heteroskedasticity-constant covariance matrix estimator and a direct test for heteroskedasticity. Econometrica, 48: 817-838.

Williamson, P. & Yin, E. 2009. Racing with the Chinese dragons. In I. Alon & J. Chang & M. Fetscherin & C. Lattemann (Eds.), China Rules. Globalization and Political Transformation: 69-100. Basingstoke and New York: Palgrave Macmillan.

Zeng, M. & Williamson, J. 2003. The hidden dragons Harvard Business Review, October 2003: 92-99.

Zheng, C., O'Neill, G., & Morrison, M. 2009. Enhancing Chinese SME Performance Through Innovative HR Practices. Personnel Review, 38(2): 175-194.