UNIVERSITY OF TARTU

Faculty of Social Sciences

School of Economics and Business Administration

Ilona Troitskaja

OVERCOMING INSTITUTIONAL DISTANCE WITH CAPABILITIES AND RESOURCES: ESTONIAN SMEs ON CHINESE MARKET

Bachelor Thesis

Supervisor: Junior Research Fellow in Marketing Kerli Ploom

Co-supervisor: Professor Urmas Varblane

Tartu 2021

I have written this Bachelor Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

Table of contents

Introduction

China has been on the radar of companies since opening up to foreign trade in 1979. Its economy has been rising and it has become one of the major global players. It was described by the World Bank as “the fastest sustained expansion by a major economy in history.” Its GDP growth has averaged almost 10 percent a year and has been prognosed with 8% economic growth in 2021, although it was hit hard by COVID-19 (World Bank, 2019; IMF 2021). However the percentage is predicted to go lower as China is planning on moving away from the label “made in China” and becoming more innovative - “innovated in China” which explains the slowdown in productivity (Wei, Xie, Zhang, 2017). The government encourages entrepreneurship and new venture formation by introducing preferential tax policies, social security subsidies, and easier business registration procedures. Which can be considered a pleasant environment to do business in. Another reason for wanting to enter Chinese market is that it is now considered an upper-middle-income country (World Bank, 2021) which means more buying power and opportunities both for customers and businesses.

Chinese market is very peculiar in a cultural sense, requiring companies to learn about the cultural gaps in addition to gaining deep knowledge into cultural traditions, which are highly valued, as well as consumer psychology (Prange, 2016). Still very volatile and making up only a small part of all Estonian exports, China made up to 1.36% in the year of 2018 (Tänav, 2018).

The research on the topic of internationalisation and entering foreign market has been researched a lot by different scholars, covering different theoretical frameworks and explaining the creation of strategy, as well as the outcome of it and the variables that affect both (Musteen, Francis, Datta (2010); Johanson and Mattsson (1988); He and Cui (2012); Geleilate, Magnusson, Parente, Alvarado-Vargas (2016) however there has not been found a conclusive and united definition of “internationalisation” (Zhang, 2013).

There are many studies done from researching internationalisation (e.g. Kazlauskaite, Autio, Gelbuda, Šarapovas, (2015) and also from Estonia, University of Tartu - Tsukanova (2019), who covered evidence from Russian and Chinese firms, and Zhang (2013) who covered theoretical approaches as well as the evidence from Chinese companies, however leaving a lot of room for studying the impacts and strategies and making generalisations. Tabares, Alvarez, Urbano (2015) analyzed the engagement of born globals into the international market on the basis of resource-based view. Kuivalainen, Puumalainen, Sintonen, Külaheiko (2010) researched the internationalisation process of SMEs and their organisational capabilities. The strategies internationalisation of SMEs (Lo, Chiao and Yu

(2016)), process of internationalisation of SMEs from emerging economies (Kazlauskaite et al., 2015), however there is still a lot of research that can be conducted in a specific market in order to give even more definite analysis about internationalisation (Zhang, 2013).

The objective of this bachelor thesis is to find out the internal resources and capabilities of Estonian SMEs to overcome the institutional distance when entering the Chinese market.

In order to fulfill the objective of the research, tasks have been put in place:

- to define and explain the internationalisation and its different frameworks
- to provide an explanation and review of literature of institution-based view and CAGE framework on the example of Chinese market;
- to give an overview of the resource-based view, important organisations´ resources and capabilities when entering a foreign market;
- to give an overview of the methodology of the research and collect empirical data with semi-structured interviews
- analyze the results and highlight the the Estonian SMEs internal capabilities to overcome the institutional distance to the Chinese market

In this thesis, due to the same reasons also deeply explained in the research of Tsukanova (2019) and Lo, Chiao & Yu (2016) and the explanation given further, the research will be conducted on small-medium enterprises (SMEs). According to Fletcher (2011) the internationalisation of SMEs has evolved in recent decades, but the international behaviour of SMEs is only partially clarified and a more holistic approach is needed. As the research is based on Estonian companies, according to 2018. statistics (Statistikaamet) there were only 169 big companies and over 7 thousand small and medium companies, having from 10 to 249 employees. In the EU, SMEs make up 99% of companies, according to European Commission (2019) and in Estonia there are over 76 thousand SMEs, making up 99,8% of all companies and making it the reasonable choice for conducting this research. (European Commission, 2019).

This study is divided into two parts: theoretical and empirical. The first part deals with the theoretical starting points of internationalisation and is divided into three subchapters. The first subchapter deals with the nature of internationalisation and its theoretical definitions as well as giving an overview of different frameworks. The second subchapter provides an overview of literature on institution-based view and CAGE framework, in addition to brief understanding of the Chinese market. The third subchapter concentrates on the biggest basis of this thesis - resource-based view, giving an overview of framework, relevant literature and resources and capabilities. In the empirical part, the author conducts in-depth semi-structured interviews with Estonian SMEs to find out the internal resources and capabilities needed to overcome the institutional distance on Chinese market.

Keywords that characterize this research: China, SMEs and internationalisation, internal capabilities, institutional distance, Estonia

1. Internationalisation and its theoretical approaches

1.1. Internationalisation: definitions and frameworks

This chapter first explains the nature of internationalisation briefly explaining some other frameworks that are widely researched and used to explain internationalisation. In addition, highlights the most important theoretical starting points of frameworks that this research focuses on. Internationalisation has many definitions and is inherently broader than a single explanation. The author presents some of the definitions used in other researches and explains the definition of internationalisation used in this thesis. Due to the growing interest in Chinese market, important frameworks have been updated and used, which the author will focus on in the following work.

For understanding the process of internationalisation and the frameworks and models explained later, a definition of “internationalisation” is required. Many authors have defined internationalisation (See Table 1 below), however the concept is still imprecise (Zhang, 2013).

It can be concluded that there is no one unified definition, although many scholars have been precise in their definition. In this work the author considers as internationalisation conclusive and yet general definition drawn from authors cited above - as a process when a company enters a foreign across-border market, in context of this work specifically Chinese market, and establishes relationships and strategy in the international market.

Author has chosen 2 main frameworks to concentrate on in this thesis - resource-based view, institution-based view, in addition connecting the latter to the CAGE framework. In a particular system, such a dynamic concept cannot be completely defined, since all models have their strengths and weaknesses (Tsukanova, 2019). After studying relevant literature the author has found that these frameworks have been used in most of the research on this topic (e.g. Tsukanova, 2019; Zhang, 2013) and are the basis for other newer frameworks.

There are many frameworks and models that explain internationalisation that were not used in this research. For example Uppsala model, which was developed by Johanson and Vahlne (1977, 1990) and Johanson and Wiedersheim-Paul (1975), the basis for which is the suggestion that firms gain experience in the domestic market and afterwards enter the culturally and geographically similar, close market, therefore being slow internationalizers. In addition, they introduced four steps of the firm internationalisation process. The author has decided to omit this model from this research due to the big distance between Estonia and China, therefore China not being culturally similar nor geographically close, which is needed for the basic assumptions of the model.

Table 1

Definitions of „internationalisation" by different authors

Definition	Reference
"The process of increasing involvement in international operations"	Welch & Luostarinen 1988:36
"The process of adapting a firm's operations (strategy, structure, and resource, etc.) to environments"	Calof & Beamish 1995: 116
"The process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future and establish and conduct transactions with other countries."	Beamish 1990: 77
"The number and strength of the relationships between the different parts of the global production network increase"	Johanson & Mattsson 1988:11
"It is a cumulative process in which relationships are continually established, developed, maintained, and dissolved in order to achieve the objectives of the firm"	Ahokangas 1998: 85
"The process through which a firm moves from operating solely in its domestic marketplace to international markets"	Javalgi et al. 2003: 186

Source: Made by author based on Corte, 2014; Zhang, 2013 and other references in the table.

Another model explaining internationalisation is network-based view, which has seen an increase in research (Chetty and Agndal, 2007; Coviello and Munro, 1995; Musteen et al. 2010). In general, it uses a relational focus which views a company's international growth as a complicated mechanism in which a company participates in a wide variety of network interactions (Ellis, 2000). The basis of this model was presented and studied by Johanson and Mattsson (1988) which considers the environment as a business network and thus tries to explain the internationalisation. In general, firms are integrated in a network, and the process of internationalisation is fully affected by their networks, going as far as predicting strategic activities locally as well as internationally (Johanson and Mattsson 1988). Although networks are a crucial part of success in the Chinese market, they are already a part of the research by being covered in an institutional-based framework in informal institutions.

Another newer model of internationalisation is born globals, which does not have a commonly accepted definition, but in general it is used to explain the fast internationalisation process and entering culturally distant countries' markets quite early on in the establishment (Madsen and Servais, 1997; Tabares et al., 2015). The recquirements being achieving 76% of total sales through exports (Madsen and Servais, 1997). As can be concluded, there are many frameworks that are used to explain different aspects of internationalisation . However in this research, only a couple will be covered more in depth.

One of the main frameworks of this thesis is a resource-based view, which was chosen because it concentrates on the internal resources that create capabilities for the success of the firm (Barney, 1991). As a basis for the framework are the internal factors of the firm, which are responsible for its success (or failure) and create the capabilities for it, which might make up the sustained competitive advantage (Penrose, 1959; Barney, 1991). By using this model as a basis, it can be researched which of the company's internal resources and capabilities are the most important for success in the Chinese market. However, if this view is taken to the extreme, it would mean that no other factors contribute to the course of the company, besides internal (Peng, 2014).

As the geographically and culturally far market of China is the basis for this research, an additional framework of institution-based view was chosen. It concentrates on the external aspects of the success of the firm and in general, it suggests that the institutions are the reason for the success or failure of the companies (Lo et al. 2016; Peng, 2002; 2014). Institutions are both formal and informal, the latter covering an important cultural factor in China that can be explained as a personal social network, called "guanxi" (Chen & Chen, 2004; Peng, 2014). By using these two frameworks, it can be researched what are the company's internal resources and which resulting capabilities are needed to be successful in an institutionally distant market.

For bring these two frameworks covering internal and external factors together and to address the institutional distance and differences between the countries, the CAGE model is used (Ghemawat, 2001). It can be talked about institutional distance when there are institutional differences between two countries (Kostova et al., 2019). The model talks about distance between different markets and how to overcome it, discussing 4 different types of distance - economical, cultural, administrative and geographic (Ghemawat, 2001). It can also be called the institutional distance and according to Peng (2014) in order to overcome it an overwhelming amount of resources and capabilities are needed. Tying all of those together, it can be researched what are the company's internal resources and capabilities and from them resulting in the capabilities that are needed in order to overcome the institutional distance between Estonian and Chinese markets.

Due to the fact that the models explained before focus on the explanation of the process of internationalisation, and the focus of this research is on resources and capabilities that are then applied to successfully overcome the institutional distance, the author has decided to narrow down the given thesis by concentrating on resources and capabilities of the firm when going to the foreign market, instead of the different processes and ways of doing so, therefore leaving room for further future research.

1.2. Institutional-Based View, CAGE framework and the Chinese market

This chapter is going to introduce the institution-based view. Firstly, giving an overview of definitions, division and types of institutions. Then further explaining the institution based view and the importance of formal and informal institutions in China. Afterwards, by introducing the CAGE framework, the institutional distance is presented. So from institutions to institutional distance.

The **institution-based view** bases its emphasis on the environment and effective interaction amidst institutions and companies, to explain and showcase the effect on international expansion through the outcome of interactions (Lo et al. 2016; Peng, 2002; Stevens & Cooper 2010). In short, it is based on dynamic interaction amidst companies and both formal and informal institutions, therefore the firm behavior being the outcome (Peng, 2002; Kostova et al, 2008; Stevens & Cooper 2010).

First, the term of the institution is defined. There are many definitions used depending on the field of social sciences, but in the context of this research, the commonly accepted definition will be used referring to both formal and informal rules that regulate and organize relations (North, 1990) or in other words also “formal and informal rules of the game” (Peng, 2014). Different definitions by some authors used in supporting literature and researches are brought out in Table 2 below.

Company´s calculated actions are built upon institutional framework, both formal (like regulations, rules and laws) as well as informal (like ethics, cultures, norms and codes of behaviour) (North, 1990; Peng, 2002) that are shown in Table 3 below. So institutions are divided into two categories - formal and informal (North, 1990; Scott, 1995; Peng et al. 2009) and are supported by “pillars” established by R. Scott (1995) which are supporting mechanisms that influence the behavior - regulatory (e.g. government), normative (e.g. norms) or cognitive (e.g. own beliefs) (Peng, 2014).

Table 2

Definitions of „institution“ by different authors

Author	Definition	Reference
Talcott Parsons	“the complex patterns which define expected behavior in a cluster of roles”	Parsons 1954: 337
Samuel P. Huntington	“stable, valued, recurring patterns of behavior”	Huntington 1973: 12
Douglas C. North	“rules of the game” “the humanly devised constraints that structure human interactions”	North 1990: 365 North 1990: 3
William R. Scott	“the regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior”	Scott 1995: 33
Geoffrey M. Hodgson	“integrated systems of rules that structure social interactions”	Hodgson 2015: 501

Source: Made by author; references in the table

One example of norms can be entering the Chinese market, what many have been lately doing based on a trend and actions of others, instead of knowledge and understanding of the market or reason for doing so (Peng, 2014). To conclude, on one hand are formal institutions that embody regulations and policies, and on the other hand are informal institutions that are dependent on social norms and informal rules (Chen et al. 2018).

Table 3

Divisions of institutions in Institution-Based View

Type of institution	Examples	Supporting pillars
Formal institutions	Laws Rules Regulations	Coercive power of governments
Informal institutions	Codes of behaviour Norms Network Cultures Ethics	Values, beliefs and actions of others Internalized own values and beliefs

Source: Adapted from Peng et al. 2009; Peng; 2014; adjusted by author based on Scott, 1995;

According to Peng (2014), the institution-based view proposes that the institutions are responsible for the success and failures of companies. The reason for that being institutional transitions - “fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect firms as players” (Peng, 2003:275). So depending on how well the company can navigate between the institutions and “play the game” as well as to adapt to changes, the future of the company is concluded (Peng et al. 2009; Peng et al, 2008).

The institution-based view has two core propositions shown in Table 4. If formal institutions fail, then informal institutions will act as substitutes to assist the progress of firms and economic activities (Peng, 2003). To conclude, while institutions do have many purposes, the main of them is reducing uncertainty (Peng, 2000).

Table 4

Core propositions of Institution-Based View

Proposition	Definition	Reference
1	“Managers and firms rationally pursue their interests and make choices within the formal and informal constraints in a given institutional framework”	Peng 2014: 39
2	“While formal and informal institutions combine to govern firm behavior, in situations where formal constraints are unclear or fail, informal constraints will play a larger role in reducing uncertainty and providing constancy to managers and firms”	Peng 2014: 39

Source: Adjusted by author; references in the table

The recent studies of He and Cui (2012), Geleilate et al. (2016); Chen et al. (2018); Zhang et al. (2017) have found that the better the formal institution is working and regulated and developed in home country, the more likely it is that the firms will be facilitated to expand and internationalize their businesses. According to Zhang et al. (2017) the main factor of formal institutions was transparency and government support but the general suggestion and conclusion drawn from these studies is to analyze home-based higher formal institutions and how well have they been developed, because it has a big influence on the performance of internationalisation. In the case of entering the Chinese market, the legal system of not only the home-country has to be considered according to the previously discussed studies, but also of the country the firm plans to internationalize to (Prange, 2016). According to an institution-based view, a political system can be thought of as “rules of the game on how a country is governed politically” and it can be divided into democracy and totalitarianism

(Peng, 2014). In China is established a communism totalitarianism, center of which is a communist party (Prange, 2016).

A very important part of the rise of China in an economical way in recent years, in contrast to highly regulated formal institutions discussed earlier, is the informal personal connection or societal norm, called “guanxi” (Chen & Chen, 2004; Peng, 2014). The meaning of it can be defined as interpersonal societal norms like loyalty and maintaining long-term relationships (Chen & Chen, 2004). From that can also be seen the second basic assumption of institution-based view (see Table 4). According to Coviello and Martin (1999) the decision on entry mode and market itself has a big influence from network relationships. As Sharma and Blomstermo (2003: 744) put it “firms’ ties provide channels for sharing knowledge as well as the motivation to do so” which can be explained that the company has to choose a partner from its network, therefore the firm itself and the context of it are able to influence the internationalisation process and outcome (Brito & Meneses, 2007).

The studies of Salomon and Wu (2012) and Ioannou and Sarafeim (2012) show that national institutional differences affect internationalisation. In terms of the institutional environments, the emerging markets differ the most from developed economies, nevertheless having significant opportunities for internationalisation (Luo et al.,2019; Rodrigues et al., 2020). The big contrast in institutional environments causes institutional distance, which might create obstacles for companies (Rodrigues et al., 2020). According to Kostova (1996, cited by Kostova et al., 2019) institutional distance can be defined as the difference in the institutional characteristics of two countries and usually these are the origin country and the country that the firm has internationalised to.

One of the scholars studying different types of distance (Kostova et al., 2019) is Pankaj Ghemawat, who when talking about “distance” is considering 4 facets of it (Ghemawat, 2001) which are cultural, administrative, geographic and economic, making up the CAGE framework, see Table 5.

Campbell et al., (2012) used this framework to empirically analyse the distance effect on overcoming the liability of foreignness by engaging in CSR practices, so they linked the institutional distance to the CAGE framework, concluding that firms with bigger CAGE distance are less likely to engage in CSR.

The CAGE model is used for pinpointing and organizing the differences between countries and analysing the trade flows (Ghemawat, 2001) and combining both institutions and culture, instead of using only cultural approach (Jackson, 2013), “physic distance” as also only cultural dimension of distance in focus critiqued in the work of Kuo and Fang (2009) or focusing on only formal institutions (Parboteeah and Cullen, 2003) or only on geographical aspect (Berns et al., 2020).

Table 5

Core pillars of CAGE framework

Type of difference	Explanation
Cultural	Religious beliefs Race/ Ethnicity Language Social norms Values Social attitudes
Administrative	Historical or political associations - colonial links - free trade agreements Currency Policies Institutions
Geographic	Distance between countries Contiguity Country´s physical size Within-country distances to borders Access to the ocean/waterways Internal topography Time zones Transportation infrastructure Communication infrastructure
Economic	Consumer wealth and income Cost of labor Availability (or lack) of - resources - inputs - infrastructure and complements Organisational capabilities

Source: Made by author based on Ghemawat 2001

The framework has been updated further by Berry et al., (2010) by adding political, geographic, and knowledge aspects. Afterwards, Ronen and Shenkar (2013) made use of culture and categorised different countries based on attitudinal dimensions (e.g. goal importance, need fulfillment, managerial organisation). CAGE framework was one of the fundamentals for Assouad et al. (2020) research, where they incorporated different dimensions into analysis by combining both culture and institutions when grouping countries as emerging markets. By using a multifaceted construct they were able to gain a different perspective and in result Estonia and South Korea were together in a cluster labeled as “outperforming most of the emerging markets” which might not have happened if only cultural perspective was used (Assouad et al., 2020). Tokas and Deb (2020) also used this framework to find the impact of distance aspects on volume of trade of goods and services and using India as home country that has relations with 62 other analysed countries, it was concluded that in the service industry the cross-border integration with India is affected by cultural, geographic and economic distances, however in the manufacturing industry all of the aspects are of significant value. The CAGE model was also used when determining the impact of perceived distances from Taiwanese firms to locations in China (Kuo and Fang, 2009) and found a negative significant relationship between the choice of location and both geographic and administrative distance, the effect of other two aspects was insignificant on location.

As evident from the relevant recent studies, the CAGE distance framework has been mostly used to look at the effect of each of different aspects of distances. As the difference in institutions leads to institutional distance (Kostova, 2019; Rodrigues et al., 2020) the CAGE model is used to explain it, due to the research objective being overcoming it with the inner capabilities of the firm. Therefore, it can be considered as a bridge between the institutional and resource based views.

As institutions regulate and organise relations and are both formal and informal. Formal institutions are laws and other regulations as informal are cultures and norms. The institutional-based view sees the institutions as the success or failure factors of the firms, then the factors can also be both formal and informal. When talking about the market of China and Estonia, there are many differences in institutions, from governmental aspects to cultural and normative. All of these aspects need adaptation and good navigation skills between institutions. However, a big aspect of entering a foreing market is the difference in institutional environments. It creates institutional distance and as there are different types of institutional difference researched by different scholars, Ghemawat has developed a CAGE framework covering 4 types of distance, also covering the formal and informal institutions. These frameworks are needed for understanding institutions and therefore institutional distance, as further research on resource-based views will view the resources and capabilities needed to overcome it.

1.3. Resources and capabilities: the Resource-Based View

In this chapter the main framework of the thesis - the research-based view will be introduced. Explaining the framework of the model as well as main definitions and assumptions. After establishing the definition of resources, requirements for these being of a competitive advantage follow, in other words the VRIN criteria. After introducing the assumptions of the framework on an overview of conducted researches on resources and capabilities is made. Finally, based on the works of previous scholars, the main resources and capabilities are pinpointed that will be used in further research.

Resource-Based View (RBV) is one of the most commonly used theoretical frameworks in internationalisation research (Peng, 2002). The 1990s were dominated by the resource-based view of the company (Barney, 1991). The resource-based view (RBV) is basing its emphasis on the internal resources of an organization to explain its decisions on internationalisation and achieving competitive advantage. (Penrose, 1959; Barney, 1991).

Barney (1991) stated that the framework assumes that the firm has non-mobile resources that are heterogeneous. Firm's resources are defined as “all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables it to conceive of and implement strategies that improve its efficiency and effectiveness” (Daft (1983) cited by Barney (1991: 101)). The main perspective is that not all commodities may be of competitive advantage or equal importance (Barney, 1991; Fahy, Smithee 1999).

Intangible resources like organizational routines or experience (Lev., 2001), as well as tangible like real estate, plant or raw materials (Andriessen, 2004) in addition to the historical path (Barney 1991) or a location (Hirshleifer (1988) cited by Barney (1991: 108)), are likely to be unique to the organization, thus to imitate requiring the competitor to substantially shift the environment and culture within the organization (Madhani, 2010) demanding the resources competitors might not possess nor be able to implement, making them an imperfectly imitable source of competitive advantage to a firm (Barney, 1991). According to Barney (1991) firms that possess resources that are valuable, rare, non-substitutable, imperfectly imitable by being historically unique or socially complex, are the main source of sustained competitive advantage, also named the `VRIN` criteria (Prahalad and Hamel, 1990), (Madhani, 2010). According to Barney´s (1991) work only if a resource fulfills criteria it can be considered to provide a competitive advantage and the definitions of the framework are in Table 6.

Table 6

Requirements for a firm resource to be a source of sustained competitive advantage

Requirement	Explanation
Valuable	Resource is considered valuable if it has a potential for the firm to develop or execute higher efficiency strategies
Rare	Resources are rare if the value-creating strategy is not implemented widely by competitors in the market and are acquired only by a small number.
Imperfectly imitable	Resource is considered imperfectly imitable if it is not possible to fully imitate, is costly or in other way not obtainable - Unique historical condition: under which the firm was founded, or value of the location or resource obtained changed overtime and cannot be imitated - Causal ambiguity: competitor firms are not able to exactly recreate or learn the strategies or steps taken - Social complexity: firm resources may be socially complex, like culture, environment, management or reputation and not purchasable
Non-Substitutable	Resources must not be able to be substituted by an alternative, so the competitor is not able to obtain the same efficiency by another similar or completely different resource

Source: Adapted from Madhani, 2010; Complemented by author on basis of Barney 1991

So as can be seen in Table 6. if plenty of firms can imitate or in other ways obtain the resource or the strategic outcome it provides then the sustained competitive advantage ceases to exist and none of the companies can make use of sustained competitive advantage (Barney, 1991).

A lot of the early research has made a lot of success in explaining the connection between environment and its influence on the growth of a company (Barney, 1991) and has been concentrating either on limitations and opportunities (Ansoff, 1965) or on analyzing the strategies based on these (Penrose, 1959; Hofer and Schendel, 1978).

One of the two basic assumptions of RBV (Barney, 1991) starts from Penrose (1959), who thought of firms as a bundle of resources and stated that different firms possess them in different combinations of bundles. Starting from her later works of most researchers like Wernerfelt (1984), Rumelt (1984), Barney (1986; 1991), have also acquired the same thought and explained it further depending on the author. It can be said to have become the basic assumption for RBV - the assumption of a firm's resource heterogeneity. The second one is the assumption of resource immobility (Barney, 1991) meaning that for competitors some of the resources of the firm are very difficult or costly or in other ways troublesome to imitate. It has also been widely used and explained in later works of authors like Barney (1991), Conner (1991), Peteraf (1993), and many others, becoming the basis for RBV.

If resources are combined with routines they create capabilities that are firm specific and therefore more difficult to imitate (Barney, 1991; Salomon and Jin, 2010). Capabilities are created from different assets that cover sorts of networks, relationships, organisational routines (Amit and Schoemaker, 1993). There are different classifications of resources and capabilities in the literature. Brumagim (1994) divides corporate resources into production, administrative, organisational learning and strategic vision resources and some of them are used in this reseach (see Table 7).

Table 7

Types of resources and capabilities

Tangible	Examples
Financial	Ability to generate internal funds Ability to raise external capital
Physical	Location of plants, machines, offices, and their geographic locations Access to raw materials and distribution channels
Technological	Possession of patents, trademarks, copyrights, and trade secrets
Organisational	Formal planning, command, and control systems Integrated management information systems
Intangible	**Examples**
Human	Managerial skills Knowledge and qualifications, experience of employees/management Organisational culture Adaptability and commitment
Design and Marketing	The ability of the firm to combine skilled people and advanced technologies in design activities in efficient and effective ways Ability to learn customer needs and position the product on international market
Innovation	Research and development (R&D) capabilities to innovate new product, process and services Capacities for organizational innovation and change
Reputational	Perceptions of product quality, durability and reliability among customers

Source: Adapted from Madhani, 2010; Complemented by author on basis of Balboni et al., 2013 and Kuivalainen et al., 2010

For example Tabares et al. (2015) divided intellectual capital into human, structural and relational, and these turn into organisational capabilities, some of which are entrepreneurship, global vision, international market knowledge, technological innovation, networks etc. Barney (1991) brought out three categories of resources: physical, human and organizational capital resources. Spanos and Lioukas (2001) divide capabilities into technical, marketing and organisational. Kuivalainen et al. (2010) used technical, marketing, managerial and financial capabilities based on prior research of other scholars. The best way to group the resources in order to understand and combine the bundles is into tangible and intangible (Lev, 2001; Andriessen, 2004)

As shown in Table 7 and discussed above, there are many resources and capabilities that are able to bring competitive advantage. In this research the ones shown in Table 7 will be covered and studied in relation to overcoming the institutional distance. These were chosen based on the literature reviewed, they are the basis for later research and are general and at the same time concise enough in order to draw conclusions from this study and analyze based on previous studies.

So to put this framework in an international perspective, it suggests that companies can take the advantages that firms' inner resources provide and therefore internationalise based on the sustained competitive advantage. Also, internationalisation can be used for creating resource-based advantages by constructing valuable as well as inimitable resources outside the borders of the home country (Kazlauskaite et al., 2015).

To conclude, the resource-based view concentrates on the unique resources and capabilities of the firm and considers them to be the source of success or failure on the global market. If there is a resource, it does not mean it turns into a capability that provides sustained competitive advantage. In order for the resource to be able to do that, it has to answer “yes” to all of the requirements of being valuable, rare, imperfectly imitable and non-substitutable, because only then it means that it is hard to replicate, imitate or in other ways acquire, which makes it to be able to be a source of sustained competitive advantage. The main assumptions of the framework are the firm's resource heterogeneity and immobility, adding to the VRIN framework that the resource has to be costly or troublesome to imitate. If there is a resource that is passive, it just is, it cannot be a source of anything. The resource combined with some routine or activity makes it an active resource, therefore creating capabilities that may be a source of competitive advantage. The resources can be classified into different bundles as tangible and intangible, or organisational, strategic and administrative, or human, structural and relational, or technical, marketing and organisational. In this research a combination of those will be used, firstly divided into tangible and intangible, the first one divided into financial, physical, technological, and organisational pillars, and the latter having human, design & marketing and innovation pillars.

Finally, the understanding of institutions gives us the basis for the institutional-based view, which when applied to internationalisation context creates institutional distance, which is then explained by the CAGE framework, combining the pillars for understanding the institutional distance. Understanding of resources gives us the basis for understanding the resource-based view and therefore understanding of resources and capabilities in an internationalisation sense. So together, the research on resources and capabilities in firms that are needed to overcome the institutional distance can be conducted on Estonian SMEs in the context of Chinese market.

2. Estonian SMEs combating institutional distance on Chinese market: resources and capabilities

2.1.Research methodology and overview of the Estonian companies selected

The objective of the empirical part of the bachelor thesis is to find out the internal resources and capabilities needed to overcome the institutional distance when entering the Chinese market on the example of Estonian SMEs. The following section explains and outlines the usefulness of methodology in this study. Furthermore analysing the sample and describing the companies that participated in the study. Lastly, the methodology of analysis is highlighted to give the reader a better understanding of the process of the formation of results.

Entering new markets and running SMEs is by nature an individual process with many variables. Therefore, the flexibility and multifaceted approach opportunities were considered when choosing the methodology for the study. This bachelor’s thesis uses a qualitative research method. The author saw using semi-structured interviews as the best method for approaching conduction of empirical research.

The reasoning for choosing semi-structured interviews for methodology has different motives. The first one being the great opportunity of doing so based on the comparatively small sizes of Estonian companies, meaning that the interviews will be conducted with professionals in their field and probably even the company managers, which is going to give the best perspective on their contact with the Chinese market and this approach allows to get an adequate picture of the importance of researching this topic and keep abreast of possible changes. The second one being a lot of questionnaire studies (e.g. Tsukanova, 2019; Lo, Chiao & Yu, 2016) in the literature as well as data collection studies (e.g. Chen, Saarenketo & Puumalainen, 2018). Therefore, leaving a bigger research gap in studies using semi-structured interviews. Interviews provide the ability to ask additional questions while interviewing in order to ask the reasoning behind one or the other answer (Adams, 2015) while still following the addressed topics (Lepik *et al*. 2014). One of the biggest disadvantages, besides the time consuming preparation, is getting too much information from the interviewee therefore introducing too many variables (Williams, 2015), in addition to the author´s possible subjective translation (Lepik *et al*. 2014). The author considers the ability to get the explanations and reasons of particular answers very valuable for this thesis and the disadvantage will be the limitation of this study.

Another possible option would be conducting a case study, but the author has decided to conduct a semi-structured interview without it, due to the big limitation of not being able to generalise and going in too much detail about one topic (King et al., 1994). Although this method does have a lot of advantages, the aim of this study is to generalise and analyse.

The semi-structured interviews are going to be conducted with SMEs. The reasoning behind choosing SMEs is quite simple. Due to the research being based on Estonian companies, according to 2018 year statistics (Statistikaamet) there were only 169 big companies and over 7 thousand small and medium companies, having from 10 to 249 employees. In the EU, SMEs make up 99% of companies, according to European Commission (2019) and in Estonia there are over 76 thousand SMEs, making up 99,8% of all companies and making it the reasonable choice for conducting this research. (European Commission, 2019). SMEs have been growing their share of export year after year, adding 6% in 2018 and having 45% of all export value (Statistikaamet) therefore also growing the SMEs number in internationalisation to China. The author decided it would provide value to the growing sector and SMEs, showing their experiences are useful and demanded. Interviews are also giving an insight into the peculiar resources’ and capabilities’ applied, which must be taken into account when communicating with a community of Chinese clients. This work focuses in particular on economic models of internationalisation showing the perspective of both the firm and experts.

The empirical part of the work is based on the theoretical part of understanding frameworks and different views explaining internal resources and capabilities as well as external and internationalisation and growing exposure to institutionally distant and different markets/ in case of this research the Chinese market. The author considers it probable that such developments have also changed the way of internationalisation and communication that led to the decision to conduct this study. The research process mainly consisted of the steps shown in Figure 1.

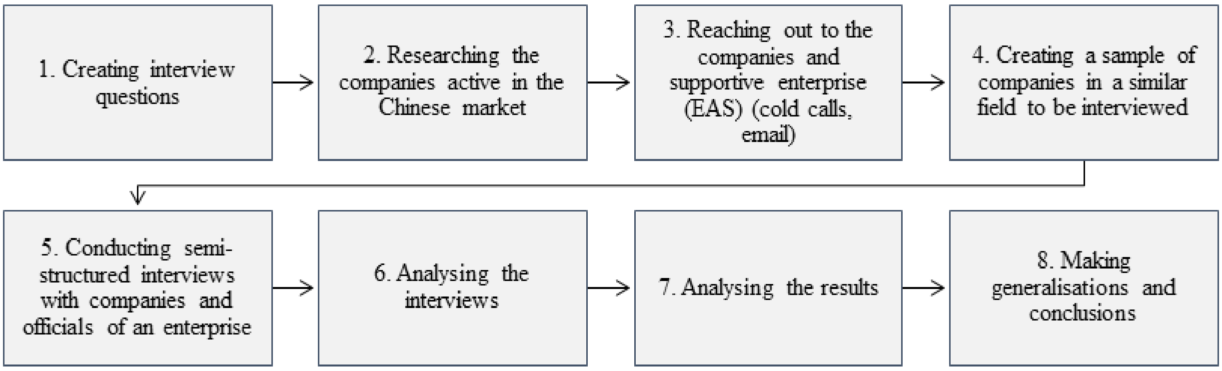

Figure 1. Steps of the research process

Source: Made by author

The first step in the research process was to compile the interview questions. These were prepared independently by the author using the previously worked through literature. The interview questions were adapted according to the purpose of the study and, if necessary, some additional questions were also asked to clear the misunderstanding, elaborate on the answer or specify it. Interviews provided comprehensive answers with examples from specific occasions. The questions worked more as guides and starting points for the topic to be discussed, but due to the fact that every individual company had its own set of people, history and methods, additional questions had to be asked. The originally planned semi-structured interviewing process, as a result of being influenced by every company´s individual approach and story, in addition to the knowledge and experience of enterprise officials from EAS based on market knowledge and many companies they have advised and supported, turned into in-depth interviews (Lepik et al. 2014). The interview questions were adjusted for companies (Appendix 1) and for the supporting company EAS officials (Appendix 1), and in turn divided in eleven topic blocks that can be seen in Appendix 1. The purpose of the first block was to do an introduction to the incoming interview and to examine the purpose and ways of entry of companies. The second to tenth blocks´ questions were related to the previously set out theoretical framework for testing the theoretical points of view and institutional distances that companies take into account when working on and with the Chinese market. The last question block was designed to explore what are the plans of the companies, if any, for the future.

The second step in the research process was to conduct research of potential companies and their level of activity on the Chinese market, it was also found that the company Enterprise Estonia is of a big support to the Estonian companies, so it was decided to additionally also interview the specialists from the Estonia-Asia Trade Agency (further: EAS). The next step was to reach out to the companies by cold calling and emails for either proving or disproving the previous step, and to schedule the possible time for the interviews. The next step was created in order to filter out similar companies willing to be interviewed for the purpose of concentrating on one product area with the ability of making generalisations and conclusions in the end. As most of the companies were from the beverage industry and only some individuals from other areas therefore it was decided to choose the beverage industry as the basis for this empirical research. The author contacted 30 companies, of whom 15 were not yet active on the Chinese market but only in the process of planning, so it was decided for the purpose of this research not to interview them. The contact was established with 4 companies and 4 professionals. Exhaustive responses to this study were received from 2 breweries Põhjala Brewery, Lehe Brewery, 1 water company Haage Joogid and 1 food and drinks company Salvest, who is exporting smoothies, so altogether 4 companies active in the beverage sector and 4 professionals in the field of Chinese market currently or previously working for EAS. In the following, the author is going to introduce the companies participating in the study.

Haage Drinks was established in 2012. and is an Estonian company specialising in mineral water coming from the south of Estonia (Haage, 2020). The interview was conducted with the export manager. In 2020 they entered into an agreement with the Chinese company Hubei Salt Group for export of the natural mineral water (Haage, 2020).

Põhjala brewery was established in 2011 and is one of the biggest craft beer breweries in the Baltics, located in Tallinn, Estonia (Põhjala, 2021; Bryce, 2019) that has now expanded its export to most of Europe and some parts of China (Põhjala, 2021). The interview was conducted with the export manager. With the new facility in Noblessner next to the brewhouse, they also opened a tap room that is open to the visitors from 2018 (Põhjala, 2021). They are exporting around 70% of the production out of the country to nearby Europe as well as further to the United States and on the other side to Asia (Põhjala, 2021). Production line is special in a huge variety of constantly changing and innovating types of beers that are unique to the brewery - from forest tastes to deep tastes of barrels, recently updating the production with canned beers in addition to previously popular glass bottles (Põhjala, 2021) the names and branding of the company suggests that the focus is on the nature that might be considered as one of selling points of the Baltics.

Salvest is a food and recently also drinks producing and canning company established in 1943 located in Tartu, Estonia (Salvest, 2021). The production range varies from soups and sauces to smoothies and baby food (Salvest, 2021), but is maybe best known for a long existing range of canned soups. The interview was conducted with the export sales manager. The company has won several awards for their activities as well as products, for example 3 prizes from the Estonian Best Food 2021 one of them being for Smushie, that is also recently exported to China along with baby food (Salvest, 2021; Kreos, 2020). The product range and branding suggests that they position themselves as local, with soup and jam products loved and mostly known in the Baltics, as well as natural, ecological and healthy, with products like ecological smoothies Smushie and ecological baby food both canned and smoothie-like.

Lehe brewery is a small 8 people operated craft beer brewery established in 2013 located in Keila, Estonia (Lehe, 2021). The interview was conducted with the owner, who is also responsible for the export activities. The names and the branding as well as ingredients suggest that the focus is on being local, different and new, with beers tasting like carrot, chilli and hot beers, and also giving each taste an identity with stories and pictures explaining each product in a friend-like manner.

As a part of **Enterprise Estonia** specialising in consulting services and training courses is **Estonia-Asia Trade Agency** specialising in providing export services for the companies like information, strategy, help with partner search or research and other (Enterprise Estonia, 2021). The company was chosen to give a deeper understanding of the peculiarities Estonian SMEs face when exporting to the Chinese market and also to give a professional information on how is best to overcome the institutional distances on the basis of experience with many SMEs. 4 people were interviewed, that currently are, or for a long time were associated with EAS Estonia-Asia Trade Agency and are professionals in the field of China and its markets.

The sample of companies active in the Chinese market is 4, having them from the same food- and drinks sector and all of them exporting beverages (water, beer, smoothies) allows us to draw conclusions from the responses that help define the resources and capabilities needed for successful internationalisation to the Chinese market. Additionally to the 4 companies, having additional 4 experts in the field clarifying export patterns of the companies and proving the insight of common misconceptions and peculiarities of Chinese market gives a deeper understanding of resources and capabilities used by interviewed companies as well as the ones needed to succeed and overcome the institutional distance. The author of this research suggests that for a broader generalisation, more companies from different sectors should be included in the sample and interviewed, however the chosen sample is enough to create the original framework in Estonian literature. The organisations that were interviewed can be seen in Table 8.

Table 8

Interviewed Organisations

Name of Organisation	Field of activity	Export Product to China
Haage Drinks	Natural Mineral Water	Natural Mineral Water
Põhjala Brewery	Craft Beer	Dark Beer
Salvest	Canned Food and Drinks (Canned produce, sauces, baby food, juice and smoothie beverages)	Smoothies, Baby food
Lehe Brewery	Craft Beer	Craft Beer
EAS - Estonia-Asia Trade Agency	Consulting services	Help with Export to China

Source: Made by author on the basis on interviews and complemented on the basis of Haage, 2020; Põhjala, 2021; Salvest, 2021; Lehe, 2021; Enterprise Estonia, 2021

Interviewees and the duration of interviews is shown in Table 9. The interviewees who are associated with a company are coded as C (details in the table 9) and field professionals as E (details in Table 9). Conducting interviews with export managers in the companies as well as market professionals who are exposed to the topic on a daily basis gives the best overview of actual steps that companies take and the difficulties they deal with. Altogether 8 interviews were conducted, 4 of which with export managers from the companies and 4 of which with the industry professionals.

Table 9

Interviewees' codes and the durations of the interviews

Name of Organisation	Interviewees and their codes	Interview Duration
Haage Drinks	Interviewee 1 (C_1)	35 minutes
Põhjala Brewery	Interviewee 2 (C_2)	50 minutes
Salvest	Interviewee 3 (C_3)	40 minutes
Lehe Brewery	Interviewee 4 (C_4)	45 minutes
EAS - Estonia-Asia Trade Agency	Interviewee 5 (E_1)	60 minutes
EAS - Estonia-Asia Trade Agency	Interviewee 6 (E_2)	65 minutes
EAS - Estonia-Asia Trade Agency	Interviewee 7 (E_3)	55 minutes
EAS - Estonia-Asia Trade Agency	Interviewee 8 (E_4)	65 minutes

Source: Made by author on the basis of interviews

All of them were web-based through Zoom platform and 7 of the interviews were in Estonian and one with a field expert in English. During the interview, guiding and helpful questions were asked in order to help the interviewee understand the issue if necessary.

Carrying out the empirical part of the work was a time-consuming process. Getting in direct contact with export managers and professionals was somewhat more difficult due to working in home offices. It also became clear to the author that there are not many companies in Estonia exporting to China from one sector, mostly clustered along many different sectors. However, the author was able to obtain meaningful responses from four companies from the same sector. The interviews were transcribed and can be seen in Google Drive if needed. The main results and conclusions of the interviews are presented in the next subsection.

2.2.Results of conduted interviews with companies and field experts

Next, the author is analysing the responses of the participating companies and professionals and highlights the key problems and strategies within topic blocks. In the process of analysis of the results the author also draws key conclusions based on the answers, helping the reader to get a better understanding of the peculiarities and necessary resources and capabilities when active in the Chinese market.

Interviewees were initially asked about their experience and customer base to get a better idea of how much the companies have been exposed to internationalisation and international markets. The beer company Põhjala has first started off with establishing themselves on the Estonian market and then moving further to neighbouring countries - starting from the Baltics and moving into Europe, now exporting to more than 30 countries. The plan of going to China came when they met up with a Chinese friend in France who is to this day their partner on the Chinese market. The water company Haage has only been active in Estonian market before entering China, however it can be said that they were exploring both markets at the same time, simultaneously. The small brewery Lehe started with Estonian market, moving on to Scandinavia and Central and Western Europe. Few years back their first Chinese partner found them himself in Estonia, however after recent long negotiations they have now secured an additional new bigger partner. The biggest company to be interviewed is Salvest and also being the oldest company, they have been for the longest time on the Estonian market, afterwards expanding their export to neighbour countries like Latvia, Lithuania and Finland, and then moving further to Europe, however now they are not that active there anymore. According to the export manager, the plan to enter China came in the year 2015 after the baby food crisis in 2008 and in 2020 the first and only container with smoothies and baby food was shipped.

Although the Uppsala model suggests, that it is better to be a slow internationaliser and start from gaining experiences from culturally similar markets (Johanson and Vahlne, 1990; Johanson and Wiedersheim-Paul, 1975) and also according to two professionals from EAS it is usually the case, not all interviewees agreed. C4 stated that having the experience and knowledge from Europe has not helped them because the market is too different. There might also be a relationship between the literature on born-globals and one of the interviewees C1 and the assumption is made only based on the market experience aspect. There is not enough information to conclude and nor it is the purpose of this research. According to Tabares et al., (2015) there are many aspects to be considered before being able to say that they are born-global, for example the export capacity (Madsen and Servais, 1997) and not enough data has been collected to make that decision.

Moving on to the analysis of the next two topics of **formal and informal institutions.** The core is on the institution-based view through which explains the interactions between institutions and companies, therefore being the external factor for success or failure (Peng, 2002; Kostova et al, 2008; Stevens & Cooper 2010). Firstly, analysing the **formal institutions** and the focus is to find out how much support is coming from the government and what are the different regulations and policies that have to be overcome. Zhang et al. (2017) has brought out a positive connection between working formal institutions and internationalisation of businesses. The connection is also highlighted by most of the interviewees (C1, C4, E1, E2, E3, E4) bringing out the example of help of ministers on the trips to China. It helps to build rapport and alongside the encouraging policies with systems that Estonia has in place supports the companies and therefore increases the volume of exports. Further elaborating interviewee E2:

"In the same way that we are skeptical of Chinese companies, then Chinese companies are equally skeptical of foreign companies, and now that you have this national flag, there is a targeted state agency, you have it, you often have a minister, it also gives this Estonian company so much credibility that it will be much easier for it to find those Chinese partners."

It was further discussed by E3, that often companies have made their decisions on internationalisation based on the existence of EAS offices and partners in the countries. C1 and C4 go as far as saying that they would have not been able to go to China if it had not been for the help received from government institutions in the form of workshops, research, overall support, and on fairs. The fairs are a big deal in finding partnership opportunities and Chinese government has a relationship in place with Estonian country which gives an opportunity of participating in them with a little to no fees, according to all of EAS officials (E1, E2, E3, E4) and that supports Zhang et al. (2017) saying that the performance of internationalisation is heavily relied on home-based higher formal institutions. However, according to Prange (2016) also the formal institutions of the country that the company plans to internationalise to has to be studied and considered, and drawing from interviews it can be concluded that the legal system of China is confusing and makes the already difficult process even more frustrating (C1, C3, C4, E1, E4) and therefore additional help is needed for continuing efficient business activities (C1, C2, C3, C4, E2, E3, E4). One of the highlighted examples was the bureaucratic paperwork by interviewee E1:

"If you go there, it's like you have to take into account that it's not like in Estonia here, that you put your pin one, pin two or log in with your ID-card really quickly, here the bureaucracy is pretty big and decent and it will take damn long time to finish the paperwork."

Another example is that the contracts must all be in Chinese and signed with a certain coloured pen and a seal (C1, E1, E2, E3, E4). It can be said, that it takes time to conduct formal business operations in China due to the amount of paperwork to be submitted, and compared to home-country the formal institutional services are not that implemented. Interviewee C2 compared preparation of Chinese and European orders by saying:

"[In China] there's this paperwork maybe a little bigger than elsewhere, different certificates, health certificates and this documentation must be correct and most of the time in Chinese. [Preparation of] Chinese order, so to speak, needs a little more time than other orders, but at the same time it is not in the European Union... There is a lot of these certificate things and they are inspecting the containers more often, maybe more than elsewhere and it's a bit of a peculiarity, but somehow I´m so accustomed to it already that it's like not obscene or in other way problematic, it… just is"

Once knowledgeable of specific procedures needed and having a plan in place it is possible to get accustomed to the procedures that need to be followed through. Some specific packaging related regulations were also discussed. C1, C3 and all of the EAS officials (E1, E2, E3, E4) noted that in order to have on the package the word "organic" EU certification is not enough and additional certification has to be done. C3 did not apply for the certificate due to the difficult and lengthy process, as well as being costly on annual basis. The hack used to overcome it is discussed by C1, who said that they use the word on the front of the package but not in the listing of components in the back and E2 mentioned that Chinese officials cover up the EU organic logo certificate on the package with a sticker, however customers still know what is underneath. However there is more freedom with the branding of the label as everybody (C1, C2, C3, C4, E1, E2, E3, E4) mentioned it does not have to be change, only adjusted so that the components and details on the back are in Chinese.

Another important aspect is trademark and C4, E1, E2, E4 believe that it should be done long before actually going to the market, and the reason is not to lose the opportunity of having it to yourself, like C4 is waiting on the trial to get their trademark back from another exporter. The laws and regulations may not seem that complicated once all of the information and knowledge is received, however, it is an additional thing to think about and research, in addition to being a lengthy process and therefore also an investment of time. So unanimously all interviewees (C1, C2, C3, C4, E1, E2, E3, E4) suggest as one possibility to leave the formal institutional side to the Chinese partner, who then would handle the specifics themselves or discuss and present them to the company and all of the needed processes would be done together. This is a good way of overcoming the uncertainty in the formal institutions.

On the other hand of formal institutions are the **informal institutions.** They are something that the Chinese pay a lot of attention to when doing business (E4) and some even say they are crucial (C2, C4, E2, E3). They are social norms and codes of behaviour that are motivated by beliefs and actions of others or ourselves (Peng et al. 2009). The informal institutions are on one hand different from the cultural distance, however when conducting the interview, the answers received in the two blocks were similar, because of the overlapping topic of social norms and social attitudes, so it was decided to analyse the informal institutions mostly under one pillar with **cultural distance**. The “norms” under informal institutions are about activity imposed on us from beliefs of others as a whole and the “societal norms” in cultural distance are more about the environment in China. When talking about the reasoning behind going to the Chinese market and the international trends, the author is referring to informal institutions and more specifically “norms” (Peng, 2014). C1 and C2 mention that the reason to go to the Chinese market is based on the company's experience and capabilities that they possess, and according to E1, E2, E4 it is the only right way to approach entering such a distant market. So instead of acting according to actions of others, it is better to analyse the capabilities and potential risks that come with entering a distant market. When talking about networking and social norms, attitudes and values, both informal institutions and cultural distance is addressed. As the complex “guangxi” is a norm in Chinese society, when doing bussiness a lot of emphasis is put on creating a connection and trust (Chen & Chen, 2004; Sharma and Blomstermo, 2003). It plays a big role when entering the market, because according to E1, E2, E4 to find a partner, the Chinese have to see consistency and systematic approach, which in the longer run helps to gain trust and build rapport with the Chinese partners. C1, C3, C4 also pointed out that they went to many fairs and meetings before they were noticed, therefore they were building trustworthiness. It might be because an important part of the definition of the previously mentioned norm is loyalty and long-term relationship (Chen & Chen, 2004). When noticed by Chinese partner, friendship is yet to be built and it comes as a basis for any further business activities (C2, C4, E2, E3, E4). It is usually done by lengthy dinners where both private as well as business matters are discussed (C1, C4, E1, E2, E4) and knowing the table manners is just one way of showing respect and loyalty (C1, E1, E3, E4).

From the interviews it was noted, that the language barrier is not a big issue, which was unexpected to the author, however the reason for that might be that in almost every meeting there are translators involved at least from the Chinese side (E1, E4) and when not communicating face to face regularly used platform *WeChat* is the very user-friendly option, translating from Chinese, which was used and suggested by everyone (C1, C2, C3, C4, E1, E2, E3, E4). However, the cultural difference can be seen from the speed of the answers from Chinese partners, and their expectation for their European partners to do the same, as most of interviewees pointed out (C1, C2, C4, E1, E2, E4) and C4 elaborates:

“I am trying not to take advantage of it [their answer speed], so to speak, in our understanding it is the end of the working day and I send them some kind of message and their time is like two at night, then they tend to reply to it immediately! I would try to do all these Chinese things in the first half of our day to not disturb them. But they themselves expect the same quick response and some kind of twenty-four hours online existence, so to say”.

It is a part of maintaining long-term relationships and there are many more unspoken rules and codes of behaviour, that Chinese expect their European partners to follow. For example giving the business card with two hands and the name facing up, making small talk and not offending them by being late (E1, E4). While the language barrier can be overcome by translators and apps, then cultural intelligence cannot and not being familiar with it might unintentionally offend Chinese partners and put the business opportunities at risk. That might be one of the reasons why E1, E2, E3 and C3 think that the most difficult institutional distance to overcome is the cultural one.

The **administrative distance** seemed to be the least of a concern during the interviews with both experts and companies. One of the reasons might have been the same as with the previous topic block, that it was largely covered by the formal institutions and by overlapping with an already covered topic of “policies” and “institutions. However, after previously discussing laws and difficulties with comprehending the bureaucracy, half of the people noted that in China the institutions are strongly in place and provide a very clear understanding of what has to be done (C1, C2, E1, E4). One of the reasons for such understanding might be the order of discussion as well. Coming after complex topics of cultural distance and after discussing “unwritten rules” the administrative problems might seem concrete. Three interviewees noted, that due to the China-US trade issues it is a great time to be in the EU and doing business in China, because the latter is more eager to succeed in business negotiations (C2, C4, E1). In addition, C1 and C3 have noted that just being foreign is sometimes of an advantage in the Chinese market, due to the perception of foreign products being of higher quality and more prestigious, and all of the professionals brought out the same fact (E1, E2, E3, E4). This is not a complication, but another way around, a positive thing and good bias that plays a role in decreasing the overall institutional distance between the two countries (Kostova et al, 2019).

Geographic distance is quite straightforward and one of the most obvious institutional distances to be felt. However, considering the size of China, it is quite difficult to comprehend the size of the country sometimes (E1, E4) and it is always better to visit the country and have a look (E4, E2), that requires financial resources for covering the travelling costs (E4). E3 elaborated on the sizing of the country:

“Well, in fact, you could go [to China] because no matter how much you read or even watch any video clips while sitting here, you actually still don't grasp the scale there and the size and differences and the kind of country it really is”.

The distance between countries means bigger need for existing financial resources and budget for shipping fees and travelling costs (C1 C2, C3, E1, E2, E3) which in turn raises the prices on the product (C1, C2, E1, E2) by incorporating the expenses into the price. Tokas and Deb (2020) researched the impact of distance aspects on the volume of trade of goods and from the interviews it came out that because of the shipping to such distant country, the products have to have a longer shelf life, which means that the products for export have to be planned in advance together with shipping times and sometimes it means even limiting the export products to China (C2, C4, E4). The size of the country plays a big role in the success of the firm, for example in the research Berns et al. (2020) concluded that geographic distance effects information asymmetry in China and in turn influencing the performance of firms at IPO. In a similar way, the geographic distance and the size of the country, the decision on entry into a certain province or city might affect the performance and future of a company. However, (Kuo and Fang, 2009) found a negative significant relationship between the choice of location and both geographic and administrative distance. C1, C2 and E2 say it might be better to start the entry to Chinese markets with the bigger cities, however it also means more competitors (E3). E2 elaborated on the importance of the choice of the city:

"We have often had a problem that even small medium-sized companies often come and say that "I want to go to Asia". Well, okay, first of all, it's so big and wide, after all, you have to think a little more, there are all very different countries - Singapore - Japan etc. It's actually the case that it is not enough to then say "I want to go to China". You really have to figure out where in China you want to go because Beijing and Shanghai are already very different places. Maybe for small to medium sized businesses it is enough to learn what China is in some smaller city - Chengdu, however it is still several times the population of Estonia".

That might be the reason why all of the companies (C1, C2, C3, C4) have their Chinese partner responsible for choosing the destinations to expand to in China. The difficulty to comprehend the size and distance, in addition to lot of competitors and the expenses on travel as well as just produce shipping, all make up the reason for the geographic distance to be the hardest one to overcome from the point of view of C1, C2 and E4.

The **Economic distance** helps to pinpoint the differences across natural resources and income. C1, C2, E1, E3 think that good knowledge of the market is needed for positioning the product in the province with appropriate consumer power and income. That is a good point and then the decision of letting the Chinese partner to decide on the China expansion strategy discussed in the previous block makes complete sense. When talking about China the low cost of labour and production comes to mind, however it is impossible to compete in the price with local produce (C1, C2, E2, E4). Moving the production there is not reasonable (C1, C2, E2, E4) due to losing the selling point of "Nordic" and "foreign" products as well as the lack of natural resources needed to produce high quality beverages (C1, C2, C3, C4, E1, E3). And exactly worse environmental conditions and lack of natural resources in China make the Nordic and European products extremely valuable and valued (C1, C3, E2, E3, E4). One problem is the only recent growth of consumer power and income in bigger cities, the mindset and mentality is yet to change, affecting the choice in new products incoming to the market (C1, C2, C4, E1, E2, E4). E1 elaborating on that further:

"I don't know exactly these statistics but the example here is a thirty forty-year-old man who drinks beer on barbecue evenings and at home after work, in China it can be a single woman who goes to work, she has a good job and he goes just after work with a couple of friends to pub. That's right, just that, it's important to hold an open mind to understand who your consumer is".

It is accurate when talking about beer, because drinking craft beer is quite a recent trend and the foreign craft beverage is considered extremely niche with its own collective and culture that is quite similar across the world (E2, E4), however that is where the positioning of the brand and defining target customer is playing a big role.

Having covered 4 types of distance, also covering the formal and informal institutions, the last two blocks discuss **resources and capabilities**. First concentrating on what the companies and professionals themselves feel is the **source of competitive advantage**. It means that it has to be rare, valuable, imperfectly imitable and non-substitutable (Madhani 2010, Barney, 1991) and therefore can provide a competitive edge compared to other companies on the market.

According to **C1** their sources of competitive advantage are:

- location and resources of Estonian raw materials and natural resources which result in high quality natural product;
- the people that organise the planning and management - human capital;
- branding.

According to **C2** their sources of competitive advantage are:

- location and resources of Estonian raw materials and natural resources which result in high quality natural product;
- planning and organisation of production and export;
- branding.

According to **C3** their sources of competitive advantage are:

- location and resources of Estonian raw materials and natural resources which result in high quality natural products.

According to **C4** their sources of competitive advantage are the same as C1:

- location and resources of Estonian raw materials and natural resources which result in high quality natural product;
- the people that organise the planning and management - human capital;
- branding.

The professionals had their own opinions on what should be, but by looking only at companies here we can concentrate on how they are positioning themselves and not include the market generalisation that comes with experts in this question.

Not every resource is equally important to the company and usually the source of competitive advantage comes from resources which are combined with certain routines individually to the company creating capabilities (Barney, 1991). Therefore, resources are divided into two parts: tangible and intangible. Tangible being financial funds, physical assets, technological, organizational. And intangible being human, design and marketing, innovation, reputation. Capabilities are created from different assets that cover sorts of networks, relationships, organisational routines (Amit and Schoemaker, 1993). The understanding of institutions gives us the basis for the institutional-based view, which when applied to internationalisation context creates institutional distance, which is then explained by the CAGE framework, combining the pillars for understanding the institutional distance. Understanding of resources gives us the basis for understanding the resource-based view and therefore understanding of resources and capabilities in an internationalisation sense. So together, the research on resources and capabilities in firms that are needed to overcome the institutional distance can be conducted on Estonian SMEs in the context of Chinese market and the interview´s last part gives an overview of what the interviewees think that their resources and capabilities are that are needed to overcome the distances discussed in the interview.

The difference to previously brought out competitive advantage sources is that the capabilities that are going to be discussed now are the ones that companies think help them overcome the institutional distances. Providing the topics and detailed lists with explanations of resources (and all other aspects) the author gave interviewees an opportunity to think through the answers that the company would like to give, and then further discussing their opinions and struggles in the Chinese market and later coming back to the resources and discussing each one in more detail, the author can be sure that the choices and conclusions that the companies themselves made have been well thought through and have not been just impulsive words.

The comparative table of **resources that the firms think that give them a source of competitive advantage** (see Table 10) are mostly recurring. One that all of the companies mentioned is location and resources of Estonian raw materials and natural resources which result in high quality natural product. The reason for that might be that the companies think of competitors on the Chinese market from different countries and see the location and natural resources of Estonia as a source of competitive advantage comparing themselves to others and especially the Chinese companies. One source that stood out was C2 said that the resource that allows to implement more effective strategies is the planning and organisation of production and export, therefore giving a competitive advantage. That is an aspect that none of the interviewees brought out, therefore maybe the only one being actually a source of competitive advantage as no other companies were able to obtain it and in other way imitate, or even knew to do so, fulfilling the VRIN criteria (Barney, 1991; Madhani, 2010).

When talking about overcoming institutional distance, mostly the same things apply as discussed earlier. The same might apply when talking about overcoming the institutional distance and the reoccurring ones were reputational resources coming with being associated with "Nordic" and "EU" and design and marketing like branding and package design. The latter raising a question **how does design and branding help to overcome formal institutions like law difficulties or cultural differences of codes of behaviour or geographic difficulties depending on countries physical size?**

2.3.General discussion

The complications resulting from the cultural, administrative, geographic and economic distances as well as from formal and informal institutions were discussed previously, also resources and capabilities that companies see as sources of competitive advantage and helping them in the Chinese market. In this final chapter the author is going to explain the ways that companies are overcoming previously discussed institutional distances and what resources are actually needed for that. The end goal being highlighting the Estonian SMEs´ internal capabilities and resources used to overcome the institutional distance on the Chinese market.

In order to analyse and make generalisations the author coded the answers (Appendix 2 or Chapter 2.2) with code words taken from Table 5 which are subcategories of CAGE framework and also writing out the way used by companies or suggested by EAS professional to overcome this, and then based on the resources and capabilities (Table 7) analysed that resources or capabilities have to be in order to use the suggested way of overcoming the difficulties (See Table 11).

Table 11

Ways and resources used and needed for overcoming the institutional distances

CAGE	Difficulties	Way to overcome it	Resources/ capabilities needed
C	Language Codes of behaviour Norms	Hire a professional Learn through experience	Financial Human
A	Laws Policies Formal institutions	Hire a professional Delegate to Chinese partner	Financial Human
G	Country´s physical size Distance between countries Transportation infrastructure	Hire a professional Delegate to Chinese partner Planning and Innovation	Financial Human Organisational
E	Cost of labour Lack of resources in China Consumer wealth and income	Hire a professional Moving labelling production/ Delegate to Chinese partner Research	Financial Human Innovation Technological

Source: Made by author on the basis of interviews

The analysis starts with institution-based view covering the external factors affecting the companies and the formal and informal institutional distances needed to be overrun. According to theory, institution can be defined as “rules of the game” (North 1990: 365) and the actions of companies builds up and is strongly influenced (Peng, 2014) by interactions (Kostova et al, 2008) with regulatory, normative or cognitive mechanisms (Peng, 2014). As can be concluded from the interviews (Chapter 2.2 and Appendix 2), Estonian formal institutions are supportive in providing the opportunities, making up institutions (like EAS), invested in developing connections with the Chinese, and all 4 companies interviewed have used the professional help of EAS, therefore Estonian formal institutions being of a positive influence and establishing a positive environment and business activities supporting preconditions. Therefore, coming to the same conclusion as in theory that the firms are more facilitated to internationalise when the formal institutions in home country are well regulated, clear and working in a supportive way (He and Cui, 2012; Geleilate et al., 2016; Chen et al., 2018; Zhang et al., 2017). Estonian formal institutions and EAS playing crucial role in performance of internationalisation of companies (Zhang et al., 2017) and helping to overcome the cultural and administrative and geographic and economic distances (See Table

11) with EAS providing workshops and information – knowledge on norms/codes of behaviour, laws and policies, market and customer practices, and government officials accompanying on trips to China – building rapport and trust as well as the formal institutions making business-facilitating laws and regulations. Another option that is might be instead of some options of EAS is a good relationship and agreement with Chinese partner, and all of the companies interviewed stated that a lot of institutional distances they do not even face because the Chinese partner is responsible for them, like legal activities, decisions on geographic decisions on expansion inside China. The resources needed for hiring professional help are the financial capabilities of either generating or raising capital, as well as having the people capital committed to learn and gain knowledge.

To conclude, based on the interviews with companies and professionals and the theoretical frameworks and literature, Estonian SMEs active in Chinese market use a lot of help when doing business in China due to the lack of knowledge (Zhang, 2013) and author supposes based on the interview (E2, E3) that also financial resources to build the professional department specialising in Chinese export.

Coming back to previously incurred question about answers of the Estonian SMEs about resources and capabilities that they said are needed (See chapter 2.2 and/or Table 10). The answers that the companies gave is that branding and package design, alongside the reputational aspect of being from EU and next to the Nordic countries helps them to overcome the institutional distance. Considering the difficult aspects needed to be overcome, explained in theory (See chapter 1.2), and the more concrete ones, with examples from empirical analysis (See chapter 2.2), with the resources and capabilities, how does branding and reputation help? The simple conclusion is, that it particularly alone does not help to overcome the institutional distance. The reason why Estonian SMEs think it is the most crucial one is due to the fact that all of the difficulties are covered mostly by external person or institution, being it the officials and experts from e.g. EAS who give advice and go to the Chinese market with or instead of the company managers, or being it the Estonian formal institutions that provide the opportunities of participating in fairs and by participating themselves helping to build rapport and trust with the Chinese partners and organisators, or being it the Chinese partners, who take a lot of the activities upon themselves like marketing and activities of juridical significance. How the matters are handled and delegated is individual to the company, but as many of the institutional distances are not felt to the whole extent due to delegating them to external sources, what is left is the source of sustained competitive advantage and the resource that is left to use is the product itself, which has the branding that is individual to the company and reputation that comes from the positive bias of EU and Nordic countries.

It can be concluded that Estonian SMEs in order to be active in the Chinese market have to have human resource, who are skilled and/or motivated to learn and are willing to take the lengthy process of finding a Chinese partner and then keeping up the communication and long-term friendship and partnership. Also, the company has to have at least some financial resource and/or the financial capabilities to generate or raise funds. But without a product and the branding of it, which has the ability to be a source of sustained competitive advantage and is going to be the basis for overcoming the institutional distances.

The author was not expecting this kind of findings and did not know how big of a role EAS plays in the business activities of Estonian SMEs overall and specifically with the companies interviewed. However, the author is positive that the generalisations can be done and can be of a big help to SMEs in Estonia who are planning on entering the Chinese market or already have and are looking to expand.

Conclusion

Internationalisation has an important role in the economy and in advancement as well as in expansion of companies. The more effective the analysis of aspects of frameworks, the better the outcome and strategy of entering the foreign market. As there are many definitions to internationalisation, those meanings cover different facets of internationalisation and can be applied to various kinds of companies by making the frameworks applicable to different-sized enterprises.

Theoretical part of the thesis concentrated on the most commonly used theoretical frameworks in internationalisation research. From a resource-based view it could be seen that not all of the resources are of equal value and able to give competitive advantage in front of a competitor. In order for a resource to be a source of sustained competitive advantage it has to fulfill all of the criteria: to be valuable, rare, imperfectly imitable, non-substitutable. In order to put this framework in an international context, it implies that enterprises should take advantage of the internal capabilities of businesses and thereby internationalize them on the basis of a sustained competitive advantage.

The institution-based view is based on dynamic interaction amidst companies and both formal and informal institutions, therefore the firm behavior being the outcome. These definitions encompass multiple aspects of internationalisation and can be applied to different types of firms. Both formal and informal institutions are needed, because in the case of failure of one, another manages the uncertainty until everything is back in line. When talking about entering the Chinese market, both formal and informal institutions are extremely important. Formal ones being government regulations that have to be followed to get into the market and informal ones (e.g. “guanxi”) in order to get the network needed. According to research the better the formal organization works, governs and evolves in the home market, the more likely it is that corporations will be able to grow and internationalize their companies.

Finally, the understanding of institutions gives the basis for the institutional-based view, which when applied to internationalisation context creates institutional distance, which is then explained by the CAGE framework, combining the pillars for understanding the institutional distance. Understanding of resources gives us the basis for understanding the resource-based view and therefore understanding of resources and capabilities in internationalisation sense. So together, the research on resources and capabilities in firms that are needed to overcome the institutional distance can be conducted on Estonian SMEs in context of Chinese market.

After conducting the semi-structured interviews with 4 companies and 4 professionals on Chinese market, more insight into the challenges is obtained. Having the companies from the same sector - beverages allows to draw conclusions from the responses that help define the resources and capabilities needed for successful internationalisation to the Chinese market. There was found a positive connection between working formal institutions and internationalisation of businesses. It was also found that all of the companies consider location and resources of Estonian raw materials and natural resources as a source of sustained competitive advantage. The reason for that might also be the fact that Chinese customers value the products coming in from EU and Nordic countries as they are made from natural resources in good environmental conditions which are rare in China. It was found that for Estonian SMEs the most difficult distances to overcome were cultural and geographic. The reasons being different social norms and customs and unwritten rules of doing business, but also the size of the country and the difference of customers and product preferences in every city. Estonian formal institutions and EAS playing crucial role in performance of internationalisation of companies and helping to overcome the cultural and administrative and geographic and economic distances with providing workshops and information, building rapport and trust as well as the formal institutions making business-facilitating laws and regulations.

It can be concluded that Estonian SMEs in order to be active in the Chinese market have to have human resource, who are skilled and/or motivated to learn and are willing to take the lengthy process of finding a Chinese partner and then keeping up the communication and long-term friendship and partnership. Also, the company has to have at least some financial resource and/or the financial capabilities to generate or raise funds. But without a product and the branding of it, which has the ability to be a source of sustained competitive advantage and is going to be the basis for overcoming the institutional distances.

This work is a unique study that combines many theoretical frameworks opens up Estonian SMEs internationalisation methods, resources and capabilities giving two supporting views – of companies who want to internationalise to the Chinese market and professionals, who help to do so. During the interviews the author confirmed that this is an important area of research and provides value to companies, experts and local market as well as contributing to SMEs research literature, in addition to all of the frameworks´. The export managers and export professionals were also interested in the results of the work and found the topic of the work to be of practical value to both. Work as a further development can focus on additional pillar – entry strategies and models as well as focus on service industry to provide an even broader and accurate understanding of the subject.

List of references

1. Acedo, F. J., Barroso, C., & Galan, J. L. (2006). The resource-based theory: Dissemination and main trends. Strategic Management Journal, 27(7), 621–636. https://doi.org/10.1002/smj.532

2. Adams, W. (2015). Conducting Semi-Structured Interviews. Handbook of Practical Program Evaluation. Editors: J. Wholey, H.Hatry, K. Newcomer. Jossey-Bass, Washington. https://doi.org/10.1002/9781119171386.ch19

3. Ahokangas, P. (1998). Internationalization and resources: an analysis of processes in Nordic SMEs. Vaasa University.

4. Amit, R. and Schoemaker, P.J.H. (1993) Strategic Asset and Organizational Rent. Strategic Management Journal, 14, 33-46. https://doi.org/10.1002/smj.4250140105

5. Andriessen, D. (2004). Making Sense of Intellectual Capital: Designing a Method for the Valuation of Intangibles. Elsevier Butterworth-Heinemann, Burlington.

6. Ansoff, H. I. (1965). Corporate Strategy. New York: McGraw-Hill

7. Armstrong C.E., Shimizu K. (2007). A Review of Approaches to Empirical Research on the Resource-Based View of the Firm. Journal of Management. 2007; 33(6), 959-986. https://doi.org/10.1177/0149206307307645

8. Assouad, A., Parboteeah, K., Guidice, R. (2020). Who are these emerging markets anyway? A taxonomic approach integrating institutional and culturalist perspectives. International Journal of Cross Cultural Management. 20. 271-300. https://doi.org/10.1177/1470595820965615

9. Balboni, B., Bortoluzzi, G. and Grandinetti, R. (2013). On the relationship between size, capabilities and internationalisation: an explorative analysis of Italian subcontracting SMEs, Int. J. Globalisation and Small Business, 5 (1/2), 114–132. https://doi.org/10.1504/IJGSB.2013.050489

10. Balboni, B., Bortoluzzi, G., Grandinetti, R. (2013). On the relationship between size, capabilities and internationalisation: An explorative analysis of Italian subcontracting SMEs. Int. J. of Globalisation and Small Business. 5. 114 - 132. https://doi.org/10.1504/IJGSB.2013.050489

11. Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management, 17, 99-120. https://doi.org/10.1177/014920639101700108

12. Beamish, P. (1990). The Internationalisation Process for Smaller Ontario Firms: A Research Agenda. In Rugman, A. (ed.). Research in Global Strategic Management –

International Business Research for the Twenty-first Century: Canada’s New Research Agenda. Greenwich: JAI Press, pp. 77-92.

13. Berns, J., Zhang, J., White, R. (2020). Geographic distance, firm affiliations, and IPO performance: evidence from China. Venture Capital. 23. 1-26. https://doi.org/10.1080/13691066.2020.1859060
14. Berry, H., Guillén, M. & Zhou, N. (2010). An institutional approach to cross-national distance. Journal of International Business Studies 41, 1460–1480. https://doi.org/10.1057/jibs.2010.28
15. Brumagim, A. L. (1994). Hierarchy of Corporate Resources. Advances in Strategic Management. Eds. P. Shrivastava, A. S. Huff, and J. E. Dutton. Greenwich, CT: JAI, 81–112.
17. Calof, J. L., Beamish, P, W. (1995). Adapting to foreign markets: Explaining internationalization, International Business Review, Elsevier, vol. 4(2), 115-131. https://doi.org/10.1016/0969-5931(95)00001-G
18. Campbell, J., Eden, L. & Miller, S. (2012). Multinationals and corporate social responsibility in host countries: Does distance matter? Journal of International Business Studies 43, 84–106 . https://doi.org/10.1057/jibs.2011.45
19. Chen, J., Saarenketo, S. and Puumalainen, K. (2018). Home country institutions, social value orientation, and the internationalization of ventures. International Business Review, Elsevier, vol. 27, 443-454. https://doi.org/10.1016/j.ibusrev.2017.09.011
20. Chen, X., & Chen, C. (2004). On the Intricacies of the Chinese Guanxi: A Process Model of Guanxi Development. Asia Pacific Journal of Management. 21. 305-324. https://doi.org/10.1023/B:APJM.0000036465.19102.d5
21. Chetty S., Agndal H. (2007). The impact of relationships on changes in internationalisation strategies of SMEs. European Journal of Marketing, 264. https://www.researchgate.net/profile/Sylvie-Chetty/publication/235308105_The_impact_of_relationships_on_changes_in_internationalisation_strategies_of_SMEs/links/56f472bf08ae7c1fda2d76f6/The-impact-of-relationships-on-changes-in-internationalisation-strategies-of-SMEs.pdf
22. Conner, K. R. (1991). A historical comparison of resource-based theory and five schools of thought within industrial organization economics: Do we have a new theory of the firm? Journal of Management, 17 (1), 121–154. https://doi.org/10.1177/014920639101700109

23. Corte, V. (2014). Towards a New Model of SMEs' Internationalization. Todorov, K., & Smallbone, D. (Eds.). Handbook of Research on Strategic Management in Small and Medium Enterprises. IGI Global. http://doi:10.4018/978-1-4666-5962-9

24. Corte, V. (2014). Towards a New Model of SMEs' Internationalization. Strategic Management in Small and Medium Enterprises: Theory and Practice. IGI-Global. Editors: Kiril Todorov, David Smallbone. https://doi.org/10.4018/978-1-4666-5962-9

25. Coviello, N., Munro H.J. (1995). Growing the entrepreneurial firm: Networking for international market development. European Journal of Marketing, 27 (7), 49-61. https://doi.org/10.1108/03090569510095008

26. Coviello, N.E., Martin, K.A.-M. (1999), Internationalization of Service SMEs: An Integrated Perspective from the Engineering Consulting Sector. Journal of International Marketing, 7(4), 42–66. https://doi.org/10.1177/1069031X9900700404

27. Daft R. L. (1983). Organization Theory and Design. West Publishing Company. 1983

28. Ellis, P. 2000. Social Ties and Foreign Market Entry. Journal of International Business Studies, Vol. 31, No. 3, pp. 443-469. https://doi.org/10.1057/palgrave.jibs.8490916

29. Estonia-Asia Trade Agency (part of Enterprise Estonia (EAS)) website. Viewed 20.03.2021. https://www.eas.ee/teenus/asia-information-center/?lang=en

30. Fahy, J., Smithee, A. (1999). Strategic Marketing and the Resource Based View of the Firm. Academy of Marketing Science Review, Volume 1999 no.10.

31. Feagin, J.R. Orum, A.M., Sjoberg, G. (1991). A Case for the Case Study. Chapel Hill, NC: University of North Carolina Press.

32. Geleilate J.M.G, Magnusson P., Parente R.C., Alvarado-Vargas M.J. (2016). Home country institutional effects on the multinationality–performance relationship: a comparison between emerging and developed market multinationals. Journal of International Management 22 (4), 380-402. https://doi.org/10.1016/j.intman.2016.06.001

33. Ghemawat, P. (2001). Distance Still Matters. The Hard Reality of Global Expansion. Harvard business review. 79. 137-142. https://pubmed.ncbi.nlm.nih.gov/11550630/

34. Haage Joogid hakkab tarnima Hiina turule Eesti mineralvett. Haage Joogid OÜ website. 21.07.2020. Viewed 15.03.2021. https://haage.ee/sundmused/haage-joogid-hakkab-tarnima-hiina-turule-eesti-mineraalvett/

35. He, X., Cui, L. (2012). Can strong home country institutions foster the internationalization of MNEs? Multinational Business Review, 20 (4), 352–375. https://doi.org/10.1108/15253831211286264

36. Hirshleifer, D. (1988) Residual Risk, Trading Costs, and Commodity Futures Risk Premia. Review of Financial Studies, 1, 173-193. https://doi.org/10.1093/rfs/1.2.173
37. Hodgson G., (2015). On defining institutions: rules versus equilibria. Journal of Institutional Economics, 11: 3, 497–505.
38. Hofer, C. W., & Schendel, D. Strategy formulation: Analytical concepts. St. Paul, MN: West, 1978.https://ideas.repec.org/a/ids/ijeima/v13y2011i3-4p246-262.html
39. Huntington S. P. (1973). Political order in changing societies. Yale University Press, 12.
40. IMF, International Monetary Fund, country summary: China. Used 17.01.2021. https://www.imf.org/en/Countries/CHN
41. Interviewee 1 (C1). Xenia Joost. Haage Joogid AS, S&M Director. (2021). Author's Zoom-interview. Tallinn, April 20.
42. Interviewee 2 (C2). Oliver Ploom, Export Manager, Põhjala Brewing AS. (2021). Author's Zoom-interview. Tallinn, April 20.
43. Interviewee 3 (C3). Martin Flink, Export Sales Manager, Salvest AS. (2021). Author's Zoom-interview. Tallinn, April 21.
44. Interviewee 4 (C4). Tanel Nurmeots, CEO, Lehepruulikoda OÜ. (2021). Author's Zoom-interview. Tallinn, April 21.
45. Interviewee 5 (C5). Expert, Estonia-Asia Trade Agency (EAS). (2021). Author's Zoom-interview. Tallinn, April 22.
46. Interviewee 6 (C6). Expert, Estonia-Asia Trade Agency (EAS). (2021). Author's Zoom-interview. Tallinn, April 22.
47. Interviewee 7 (C7). Expert, Estonia-Asia Trade Agency (EAS). (2021). Author's Zoom-interview. Tallinn, April 23.
48. Interviewee 8 (C8). Expert, Estonia-Asia Trade Agency (EAS). (2021). Author's Zoom-interview. Tallinn, April 23.
49. Ioannou, I., Serafeim G. (2012). What Drives Corporate Social Performance? The Role of Nation-level Institutions. Journal of International Business Studies 43 (9), 834–864. https://doi.org/10.1057/jibs.2012.26
50. Jackson, T. (2013). Culturalists versus institutionalists: A false debate?.International Journal of Cross-Cultural Management. 13. 3-4. https://doi.org/10.1177/1470595813482936
51. Johanson J., Wiedersheim-Paul F. (1975). The internationalization of the firm—four swedish cases. Journal of Management Studies 12(3) May 2007, 305 - 323. https://doi.org/10.1111/j.1467-6486.1975.tb00514.x

52. Johanson, J., & Mattsson, L. G. (1993). Internationalization in industrial systems: A network approach. In P.J. Buckley, & P. N. Ghauri (eds.) The internationalization of the firm: a reader. 303-321. New York: Academic Press.

53. Johanson, J., & Vahlne, J. E. (1977). The internationalization process of the firm: a model of knowledge and increasing foreign market commitment. Journal of International Business Studies, 8(1), 23-32. https://doi.org/10.1057/palgrave.jibs.8490676

54. Johanson, J., & Vahlne, J. E. (1990). The mechanism of internationalisation. International Marketing Review, 7(4), 11-24. https://www.researchgate.net/publication/291783492_The_mechanisms_of_internationalization

55. Jones, M. V., Coviello, N. E. (2005). Internationalisation: conceptualising an entrepreneurial process of behaviour in time. Journal of International Business Studies, 36(3), 284-303.

56. Kai Kreos: kriis tõi kaasa ettevõtete Aasia-suunalise huvi kasvu. Kreos, K. (13.08.2020). Online article. err.ee website. Viewed 18.03.2021. https://www.err.ee/1123313/kai-kreos-kriis-toi-kaasa-ettevotete-aasia-suunalise-huvi-kasvu

57. Kazlauskaite, R., Autio, E., Gelbuda, M., Šarapovas, T. (2015). The Resource-based View and SME Internationalisation: An Emerging Economy Perspective. Entrepreneurial Business and Economics Review, 3, 53-64. https://doi.org/10.15678/EBER.2015.030205

58. King, G., Keohane, R.O., Verba, S. (1994). Designing Social Inquiry. Scientific Inference in Qualitative Research. Princeton University Press. N.J.

59. Kostova T., Roth K., Dacin M. T. (2008). Institutional theory in the study of multinational corporations. Academy of Management Review, Vol. 33, No. 4, 994–1006. https://doi.org/10.5465/amr.2008.34422026

60. Kostova, T., Beugelsdijk, S., Scott, W.R., Kunst, V., Chua, C., Essen, M. (2019). The construct of institutional distance through the lens of different institutional perspectives: Review, analysis, and recommendations. Journal of International Business Studies. 51. 467–497. https://doi.org/10.1057/s41267-019-00294-w

61. Kuivalainen, O., Puumalainen, K., Sintonen, S., Külaheiko K. (2010). Organisational capabilities and internationalisation of the small and medium-sized information and communications technology firms. Journal of International Entrepreneurship, 8, 135–155. https://doi.org/10.1007/s10843-010-0057-7

62. Kuo, C.L. and Fang, W.C. (2009). Psychic distance and FDI location choice: empirical examination of Taiwanese firms in China. Asia Pacific Management Review, 14 (1), 85-106. https://doi.org/10.6126/APMR.2009.14.1.06

63. Lev, B. (2001). Intangibles: Management, Measurement, and Reporting. Brookings Institution Press, Washington, DC.

64. Lo, F.-Y., Chiao, Y.-C. and Yu, C.-M. J. (2016). Network and institutional effects on SMEs' entry strategies. Management International Review, 56, 531–563. https://doi.org/10.1007/s11575-016-0289-4

65. Lockett, A., Thompson S., Morgenstern, U. (2009). The Development of the Resource-Based View of the Firm: A Critical Appraisal. International Journal of Management Reviews. 11, 9 - 28. https://doi.org/10.1111/j.1468-2370.2008.00252.x

66. Luo, Y., Zhang, H. & Bu, J. (2019). Developed country MNEs investing in developing economies: Progress and prospect. Journal of International Business Studies, 50 (4), 633-667. https://doi.org/10.1057/s41267-019-00230-y

67. M. W. Peng, 2003, Institutional transitions and strategic choices (p. 275), AMR, 28: 275–296

68. Madhani, Dr. Pankaj. (2010). The Resource-Based View (RBV): Issues and Perspectives. A Journal of Research of Prestige Institute of Management, Vol. 1, No. 1, Jan 2010, 43-55.

69. Madsen, Tage K. and P. Servais (1997). The Internationalization of Born Globals: An Evolutionary Process? International Business Review, 6 (6), 561–83. https://doi.org/10.1016/S0969-5931(97)00032-2

70. Musteen, M., Francis, J., & Datta, D. K. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. Journal of World Business, 45(3), 197–205. https://doi.org/10.1016/j.jwb.2009.12.003

71. Newbert, S. (2007). Empirical Research on the Resource-Based View of the Firm: An Assessment and Suggestions for Future Research. Strategic Management Journal. 28, 121 - 146. https://doi.org/10.1002/smj.573

72. North, D. (1990). Institutions, Institutional Change and Economic Performance. New York: Norton.

73. Parboteeah, K.P., Cullen, J.B. (2003). Social Institutions and Work Centrality: Explorations Beyond National Culture. Organization Science, 14 (2), 137-148. https://doi.org/10.1287/orsc.14.2.137.14989

74. Parsons T. (1954). Essays in sociological theory. Glencoe, Ill., Free Press.

75. Peng M. W., (2000), Business Strategies in Transition Economies (pp. 42–44), Thousand Oaks, CA: Sage.
76. Peng M.W. (2014). Global Business, 3rd edition. Mason: South-Western/Cengage Learning.
77. Peng, M. W., Sun S., Pinkham, B., Chen, H. (2009). The Institution-Based View as a Third Leg for a Strategy Tripod. Academy of Management Perspectives, 23. 63–81. https://doi.org/10.5465/amp.2009.43479264
78. Peng, M., (2003). Institutional Transitions and Strategic Choices. Academy of Management Review. 28. 275-296. https://doi.org/10.5465/amr.2003.9416341
79. Peng, M., Wang, D., Jiang, Y. (2008). An institution-based view of international business strategy: a focus on emerging economies. Journal of International Business Studies, 39, 920–936 https://doi.org/10.1057/palgrave.jibs.8400377
80. Peng. M. W. (2002) Towards an institution-based view of business strategy. Asia Pacific Journal of Management, 19, 251–267; https://doi.org/10.1023/A:1016291702714
81. Penrose E.T. (1959). The Theory of the Growth of the Firm. Oxford University Press: New York.
82. Peteraf, M. (1993) The cornerstones of competitive advantage: A resource-based view. Strategic Management Journal, 14 (3); 179. https://doi.org/10.1002/smj.4250140303
83. Põhjala Brewing AS website. Viewed 16.03.2021. https://pohjalabeer.com/brewery.html
84. Prahalad, C. K., Hamel, G. (1990). The Core Competence of the Corporation. Harvard Business Review, Vol. 68, No. 3, 79–91.
85. Prange, C. (2016). Internationalizing to China: Challenges and Pitfalls. (ed. Prange, C.), Market Entry in China Case Studies on Strategy, Marketing, and Branding, (pp 9-15). Springer International https://doi.org/10.1007/978-3-319-29139-0
86. Richard Fletcher. (2011). Internationalisation strategies for SMEs in the decade ahead: are our theories relevant? International Journal of Entrepreneurship and Innovation Management. Inderscience Enterprises Ltd, vol. 13(3/4), pages 246-262.
87. Rodrigues, C.D., Borini, F.M., Raziq, M.M. and Bernardes, R.C. (2020), The roles of external embeddedness and institutional distance in the subsidiary product/process innovation and R&D capacity. Journal of Knowledge Management, 24 (10), 2513-2530. https://doi.org/10.1108/JKM-02-2020-0083
88. Ronen, S., Shenkar, O. (2013). Mapping world cultures: Cluster formation, sources and implications. Journal of International Business Studies, 44, 867–897. https://doi.org/10.1057/jibs.2013.42

89. Rumelt, R. P. (1984). Towards a Strategic Theory of the Firm. In R. Lamb (Ed.), Competitive Strategic Management: 556-570. Englewood Cliffs, NJ: Prentice-Hall.
90. Salomon R., Jin B. (2010). Do leading or lagging firms learn more from exporting? Strategic Management Journal 31 (10), 1088-1113. https://doi.org/10.1002/smj.850
91. Salomon, R. & Wu, Z., (2012). Institutional distance and local isomorphism strategy. Journal of International Business Studies - 43 (4), 343-367. https://doi.org/10.1057/jibs.2012.3
92. SBA Fact Sheet - European Comission (2019). Accessed 10-26.02.21. https://ec.europa.eu/docsroom/documents/38662/attachments/9/translations/en/renditions/native
93. Scott W. R., (1995), Institutions and Organizations. Ideas, Interests and Identities. Los Angeles: Sage Publications. https://doi.org/10.3917/mana.172.0136
94. Sharma, D., Blomstermo, A. (2003). The Internationalization Process of Born Globals: A Network View. International Business Review. 12. 739-753. https://doi.org/10.1016/j.ibusrev.2003.05.002
95. Spanos, Y., Lioukas, S. (2001). An Examination into the Causal Logic of Rent Generation: Contrasting Porter's Competitive Strategy Framework and the Resource-Based Perspective. Strategic Management Journal. 22. 907 - 934. https://doi.org/10.1002/smj.174
96. Statistikaameti andmebaas, ametlik kodulehekülg. Kasutatud 19-25.02.2021. https://andmed.stat.ee/et/stat
97. Stevens C., Cooper J. (2010). A behavioral theory of governments' ability to make credible commitments to firms. Asia Pacific Journal of Management, 27, 587–610. https://doi.org/10.1007/s10490-009-9166-z
98. Tabares A., Alvarez C., Urbano D. (2015). Born Globals From the Resource-Based Theory: a Case Study in Colombia. Journal of Technology Management & Innovation 10 (2). http://dx.doi.org/10.4067/S0718-27242015000200011
99. Tänav, T. (2018). Eesti ekspordipotentsiaal. https://www.eas.ee/wpcontent/uploads/2018/09/Eesti-ekspordipotentsiaal-2018.pdf
100. The Baltic Exchange — In Search of Warmth and Porter in Estonia and Denmark. Stephanie Byce. Online blog by Good Beer Hunting LLC. Viewed 16.03.2021. https://www.goodbeerhunting.com/blog/2019/9/30/the-baltic-exchange-in-search-of-warmth-and-porter-in-tallinn-estonia-and-copenhagen-denmark?rq=Tallinn

101. Tokas, K. and Deb, A.K. (2020), CAGE distance framework and bilateral trade flows: case of India. Management Research Review, 43 (10), 1157-1181. https://doi.org/10.1108/MRR-09-2019-0386

102. Tsukanova T., (2019), Insights into the Export Behavior of SMEs from Emerging Economies: Evidence from Russia and China. Tartu: Tartu Ülikooli Kirjastus

103. Wei, S-J., Xie Z., Zhang X., (2017). From "Made in China" to "Innovated in China": Necessity, Prospect, and Challenges. Journal of Economic Perspectives, 31 (1), 49-70. https://doi.org/10.1257/jep.31.1.49

104. Welch, L., Luostarinen, R. (1988). Internationalization: Evolution of a Concept. Journal of General Management. 14. 155-171. https://doi.org/10.1177/030630708801400203

105. Welch, L.S., Luostarinen, R. (1988), Internationalisation: evolution of a concept, Journal of General Management, 14 (2), 34-55.

106. Wernerfelt B. (1984). A Resource-based View of the Firm. Strategic Management Journal, 5, 171-180. https://doi.org/10.1002/smj.4250050207

107. World Bank national accounts data, GDP growth - China. Used 15.01.2021. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN

108. Zhang, X. (2013) Internationalization processes of Chinese firms: the role of knowledge, Tartu: University of Tartu Press, http://dspace.ut.ee/bitstream/handle/10062/32966/zhang_xiaotian.pdf

APPENDIX 1

Interview questions for companies and experts

Topic	Interview questions for the companies	Interview questions for the professionals	References
Market entry mode	1. When did you enter the Chinese market? 2. Why go to the Chinese market? 3. In which markets were you active before?	1. What are the main reasons why companies enter the Chinese market? 2. Are successful companies already active in other markets before entering the Chinese market? If so which markets? If so, has it been helpful and how?	Johanson and Wiedersheim-Paul 1975 Tabares et al., 2015 Prange, 2016
Formal institutions	4. Does the Estonian state and its systems support internationalization in the Chinese market and how? What about the Chinese state? 5. What are the basic laws, rules and regulations in China that need to be considered when entering the market? 6. What is the strategy and plan for internationalization in the Chinese market to overcome the aforementioned difficulties?	3. Does the Estonian state and its systems support internationalization to the Chinese market and how? What about the Chinese state? 4. What are the basic laws, rules and regulations in China that need to be considered when entering the market? 5. What is the strategy and plan for internationalization of the Chinese market to overcome the above difficulties?	Peng et al. 2009 He and Cui, 2012 Geleilate et al., 2016 Zhang et al., 2017 Salomon and Wu (2012)
Informal institutions	7. Does internationalization in the Chinese market rely primarily on international trends due to the actions of other companies, or do you rely primarily on your company's experience and capabilities? 8. What are the main informalstructures (culture, norms, codes of behavior) in China that need to be taken into account when entering the market? 9. What is the internationalization strategy and plan for the Chinese market to overcome the above difficulties?	6. Does internationalization in the Chinese market rely primarily on international trends due to the actions of other companies, or do you rely primarily on your company's experience and capabilities? 7. What are the main informalstructures (culture, norms, codes of behavior) in China that need to be taken into account when entering the market? 8. What is usually the strategy and plan for the internationalization of the Chinese market in order to overcome the above difficulties? What should it be instead?	Peng et al. 2009 Chen & Chen, 2004; Peng, 2014 Salomon and Wu (2012)

CAGE framework institutional distances	10. What are the main factors of cultural distance that you faced? What routines and resources did you use to adapt to them? 11. What are the main factors of administrative distance that you faced? What techniques and resources did you use to adapt to them? 12. What are the main factors of geographical distance that you faced? What routines and resources did you use to adapt to them? 13. What are the main economic distance factors you faced? What routines and resources did you use to adapt to them? 14. Which institutional distance / difference plays the biggest role in shaping China's internationalization strategy and decisions, whether cultural, administrative, geographical or economic?	9. What are the main factors of cultural distance that the companies face? What routines and resources should be used to adapt? 10. What are the main factors of administrative distance that the companies face? What routines and resources should be used to adapt? 11. What are the main factors of geographical distance that the companies face? What routines and resources should be used to adapt? 12. What are the main economic distance factors that the companies face? What routines and resources should be used to adapt? 13. Which institutional distance / difference plays the biggest role in shaping China's internationalization strategy and decisions, whether cultural, administrative, geographical or economic?	Ghemawat, 2001 Kostova et al., 2019 Campbell et al., 2012 Assouad et al., 2020 Tokas and Deb, 2020
Source of sustained competitive advantage	15. What company resource (s) or capability (s) allow the potential to develop / implement more effective strategies? Is it value-creating that cannot be obtained or otherwise imitated by other companies? (e.g. Unique historical condition, casual ambiguity, social complexity)	14. What company resource (s) or capability (s) allow the potential to develop /implement more effective strategies? Is it value-creating and cannot be obtained or otherwise imitated by other companies? (e.g. Unique historical condition, casual ambiguity, social complexity)	Barney, 1991 Madhani, 2010 Prahalad and Hamel, 1990
Tangible & intangible resources/ capabilities	16. In terms of which resources are most competitive, are these resources and capabilities tangible (funds, physical assets, technological, organizational) or intangible (human, design and marketing, innovation, reputational) and help to overcome the institutional distances?	15. In terms of which resources are most competitive, are these resources and capabilities tangible (funds, physical assets, technological, organizational) or intangible (human, design and marketing, innovation, reputational) and help to overcome the institutional distances?	Madhani, 2010 Balboni et al., 2013 Kuivalainen et al., 2010
Conclusion and plans for the future	17. What are the company's plans for the future development of China's internationalization?	16. What are the Estonian SMEs´ plans for the future development of China's internationalisation?	

APPENDIX 2

Answers from interviews with companies and experts

Topic Block	Peculiarities of the Chinese market and resources - results from interviews	C1	C2	C3	C4	E1	E2	E3	E4
Market entry mode	It is easier to go to the Chinese market, if you have already mapped yourself well in your home market and also another foreign market		X	X		X			X
	Being successful on the Chinese market recquires a lot of market and cultural knowledge in the company and cannot be substituted	X				X	X	X	X
Formal institutions	Without the existing help of Estonian state (through EAS and encouraging policies in conducting business) and its systems of involving ministry officials to visits in China, the decision to enter the Chinese market would most probably be different	X			X	X	X	X	X
	The Chinese state is of big help by putting in place public relations and providing the opportunities to enter the market (fairs)	X	X			X	X	X	X
	Use of the word "ecologic" on the packaging is heavily regulated and the certifiying process in lenghty, so other words have to be used	X		X		X	X	X	X
	The byroucracy makes doing business in China much more difficult	X		X	X				
	The trademarking process should be the very first action taken by business				X	X	X		X
	All of the contracts have to be in Chinese and notarially confirmed, as well as signed in the right coloured pen and the right seal	X				X	X	X	X
	The knowledge and formal institution activities can be delegated to the Chinese partner	X	X	X	X	X	X	X	X
	Additional help with formal institutions is needed for efficient business activities	X	X	X	X		X	X	
	The products´ lables do not need to be changed in terms of colour and branding, however adjusted according to rugulations and policies in the beverage sector	X	X	X	X	X	X	X	X
Informal institutions and cultural distance	In order to be seen by Chinese partners the company has to be consistent in search efforts (e.g. going to fairs) for a long time for builing rapport and gaining trust	X		X	X	X	X		X
	Reasoning for going to the Chinese market relies more on company´s experience and/or capabilities instead of international trends	X	X			X	X		X
	Business transactions are very lenghty and take place behind a dining table so it is important to know table manners	X				X		X	X
	Gaining trust and friendship comes as a basis for business activities		X		X		X	X	X
	Chinese expect an answer to their questions very quickly	X	X		X	X	X		X
	The language barrier in communication can be overcome with translators and apps like WeChat and google translate	X	X	X	X	X	X	X	X
	Chinese ask personal questions and expect the same from their partners	X			X	X	X		X
	Informal institutions are of crucial importance when doing business with the Chinese partners	X	X	X	X	X		X	X
	The biggest distance to overcome is cultural distance			X		X	X	X	
Administ rative distance	The institutions are strong and provide clear understanding of what has to be done	X	X			X			X
	Because of trade issues with USA China is more eager to do business with EU		X		X	X			
	Foreign products are perceived as of higher quality and more prestigious	X		X		X	X	X	X
	The biggest distance to overcome is administrative distance								

Geographic distance	Entry to the Chinese smarket starts by going bigger cities first	X	X				X		
	The decisions on expansion locations depends on the Chinese partner	X	X	X	X		X		
	The geographic remoteness raises the price of the product	X	X			X	X		
	Due to geographic distance the products exported have to be planned in advance and are limited due to shelf life		X		X				X
	Big distance between countries means bigger need for existing financial resources and budget (travelling costs, shipping fees, investment in production)	X	X	X		X	X	X	
	The biggest distance to overcome is geographic distance	X	X						X
Economic distance	Due to low cost of labour and production in China it is not reasonable nor possible to compete in the price with local produce	X	X				X		X
	Good knowledge of the market is needed for positioning the product in the province with appropriate consumer power and income	X	X			X			X
	There are no plans of moving the production to China due to worse quality in natural resources thus losing the main selling point	X	X	X	X	X		X	
	Due to worse environmental conditions in China, Nordic and European products are highly valued and demanded	X		X			X	X	X
	Both poor and rich Chinese consumers are very aware therefore conducting research on products and making well-considered choices		X			X			X
	Due to only recent growth of consumer power and income in bigger cities, the mindset and mentality is yet to change affecting the choice in new products incoming to the market	X	X		X	X	X		X
	The biggest distance to overcome is economic distance								
Source of sustained competitive advantage	The most value-creating source is the location and resources of Estonian raw materials and natural resources which result in high quality natural product	X	X	X	X	X	X	X	X
	The company resource that cannot be imitated is the people that organise the planning and management - human capital	X			X	X	X	X	
	The resource that allows to implement more effective strategies is the planning and organisation of production and export		X						X
	The unique resource that cannot be imitated is the branding	X	X		X	X	X		
Tangible and intangible resources and capabilities	Overcoming institutional distance helps a good ability to generate or raise capital		X			X	X		X
	Overcoming institutional distance helps physical resources and capabilities like production capability and access to raw materials						X		X
	Overcoming institutional distance helps technological like posession of trademarks					X	X		X
	Overcoming institutional distance helps organisational like planning capabilities and control systems		X						
	Overcoming institutional distance helps human resources like adaptability and commitment					X	X	X	X
	Overcoming institutional distance helps human resources and capabilities like the people skills and knowledge and experience of management	X			X	X		X	X
	Overcoming institutional distance helps design and marketing resources and capabilities like ability to learn the customer needs and position the product					X	X		X
	Overcoming institutional distance helps design and marketing like branding and package design	X	X	X	X	X	X		
	Overcoming institutional distance helps innovation capabilities like the ability to constantly change and innovate the product		X			X			X
	Overcoming institutional distance helps reputational resources coming with being associated with "nordic" and "EU"	X	X	X	X	X	X	X	X

Summary

INSTITUTSIONAALSE KAUGUSE ÜLETAMINE VÕIMEKUSTE JA RESSURSSIDEGA: EESTI VKEd HIINA TURUL

Ilona Troitskaja

Hiina on olnud ettevõtete radaris alates avanemisest väliskaubandusele 1979. aastal. Selle majandus on tõusnud ja temast on saanud üks peamisi ülemaailmseid osalejaid. Valitsus julgustab ettevõtlust ja uute ettevõtmiste loomist maksusoodustuse sooduspoliitika, sotsiaalkindlustustoetuste ja ettevõtete registreerimise lihtsama korra kehtestamise kaudu.

Hiina turg on kultuurilises mõttes väga omapärane ja nõuab ettevõtetelt lisaks kõrgete teadmiste omandamisele kultuuritraditsioonides, samuti tarbimispsühholoogias, lisaks kultuuriliste lünkade tundmaõppimisele

Rahvusvahelistumise uurimiseks on tehtud palju uuringuid VKEdega, kuid on keskendatud rohkem suurematele firmadele ja riikidele ning keskendatud rohkem turule sisenemise strateegiatele. Autor usub, et on tähtis keskenduda firmade sisemistele võimekustele ja ressursidele, mis aitavad neil institutsionaalselt kaugel ja erineval turul hakkama saada.

Selle bakalaureusetöö eesmärk on välja selgitada Eesti VKEde sisemised ressursid ja võimekused, et ületada Hiina turule sisenemisel institutsionaalne kaugus.

Uurimistöö eesmärgi täitmiseks on seatud ülesanded:

• määratleda ja selgitada rahvusvahelistumist ja selle erinevaid raamistikke

• anda selgitus ja ülevaade institutsioonipõhise vaate kirjandusest ja CAGE raamistikust Hiina turu näitel;

• anda ülevaade ressursipõhisest vaatest, oluliste organisatsioonide ressurssidest ja võimekustest välisturule sisenemisel;

• anda ülevaade uuringu metoodikast ja koguda empiirilisi andmeid poolstruktureeritud intervjuudega

• analüüsida tulemusi ja tuua välja Eesti VKEde sisemine võimekus ületada institutsionaalne kaugus Hiina turust

See uuring on jagatud kaheks osaks: teoreetiline ja empiiriline. Esimene osa käsitleb rahvusvahelistumise teoreetilisi lähtekohti ja on jaotatud kolemeks alapeatükiks. Esimene alapeatükk käsitleb rahvusvahelistumise olemust ja selle teoreetilisi definitsioone ning annab ülevaate erinevatest raamistikest. Teises alapeatükis antakse ülevaade kirjandusest institutsioonipõhise vaate ja CAGE raamistiku kohta ning lisaks on Hiina turu lühiteadmist. Kolmas alapeatükk keskendub selle töö suurimale alusele - ressursipõhisele vaatele, andes

ülevaate raamistikust, asjakohasest kirjandusest ning ressurssidest ja võimalustest. Empiirilises osas teeb autor Eesti 4 VKEga ja 4 Hiina turu professionaaliga põhjalikke poolstruktureeritud intervjuusid, et selgitada välja sisemised ressursid ja võimalused, mis on vajalikud institutsionaalse distantsi ületamiseks Hiina turul.

Oli leitud positiivne seos ametlike ametiasutuste ja ettevõtete rahvusvahelistumise vahel. Samuti, intervjueeritud ettevõtted peavad Eesti tooraine ja loodusvarade asukohta ja ressursse püsiva konkurentsieelise allikaks. Selle põhjuseks võib olla ka asjaolu, et Hiina kliendid hindavad ELi ja Põhjamaadest saabuvaid tooteid, kuna need on valmistatud loodusvaradest heades keskkonnatingimustes, mis on Hiinas haruldased. Leiti, et Eesti VKEde jaoks oli kõige raskem ületada kultuurilisi ja geograafilisi vahemaid. Põhjusteks erinevad sotsiaalsed normid ja tavad ning kirjutamata reeglid äritegemisel, aga ka riigi suurus ning klientide ja toote eelistuste erinevused igas linnas. Eesti ametlikud asutused toetavad võimaluste pakkumist, asutuste moodustamist (nagu EAS), investeerisid hiinlastega sidemete arendamisse. Eesti ametlikel asutustel ja EAS-il on oluline roll ettevõtete rahvusvahelistumisel ning aidatakse ületada kultuurilisi, administratiivseid, geograafilisi ja majanduslikke vahemaid, pakkudes seminare ja teavet, luues sidet ja usaldust, samuti ametlikkel asutustel, kes loovad ettevõtlust hõlbustavaid seadusi.

Võib järeldada, et Eesti VKEdel, et Hiina turul aktiivselt tegutseda, peavad olema inimressursid, kes on osavad ja / või motiveeritud õppima ning on valmis võtma pika protsessi Hiina partneri leidmiseks ja seejärel suhtluse jätkamiseks ning pikaajaline sõprus ja partnerlus. Samuti peab ettevõttel olema vähemalt mõni rahaline ressurss ja / või rahalised võimalused rahaliste vahendite loomiseks või kogumiseks. Kuid, turule minekuks peab olema toode ja bränd, millel on võime olla püsiva konkurentsieelise allikas ja mis saab olema aluseks institutsiooniliste vahemaade ületamiseks.

Antud bakalaureusetöö uurib Eesti VKEde rahvusvahelistumist Hiina turule läbi firmasiseste ressurside ja võimekuste. Ettevõtted kinnitasid, et institutsiooniline kaugus muudab äritegevuse keerulisemaks ja suureks toeks nende ületamisel on Eesti riik ja Hiina partnered. Eesti SMEde rahvusvahelistumine Hiina ei ole laialdaselt uuritud ja seega see töö panustab antud teema teaduskirjandus. Tulevikus soovitab autor tuua uurimuse valimisse ka turule sisenemismeetodid.

Lihtlitsents lõputöö reprodutseerimiseks ja üldsusele kättesaadavaks tegemiseks

Mina, **Ilona Troitskaja**

annan Tartu Ülikoolile tasuta loa (lihtlitsentsi) minu loodud teose

OVERCOMING INSTITUTIONAL DISTANCE WITH CAPABILITIES AND RESOURCES: ESTONIAN SMEs ON CHINESE MARKET

mille juhendajad on

Kerli Ploom ja Urmas Varblane

reprodutseerimiseks eesmärgiga seda säilitada, sealhulgas lisada digitaalarhiivi DSpace kuni autoriõiguse kehtivuse lõppemiseni.

Annan Tartu Ülikoolile loa teha punktis 1 nimetatud teos üldsusele kättesaadavaks Tartu Ülikooli veebikeskkonna, sealhulgas digitaalarhiivi DSpace kaudu Creative Commonsi litsentsiga CC BY NC ND 3.0, mis lubab autorile viidates teost reprodutseerida, levitada ja üldsusele suunata ning keelab luua tuletatud teost ja kasutada teost ärieesmärgil, kuni autoriõiguse kehtivuse lõppemiseni.

Olen teadlik, et punktides 1 ja 2 nimetatud õigused jäävad alles ka autorile.

Kinnitan, et lihtlitsentsi andmisega ei riku ma teiste isikute intellektuaalomandi ega isikuandmete kaitse õigusaktidest tulenevaid õigusi.

Ilona Troitskaja
13.05.2021