

Strategies to adopt in overcoming constraints to succeed in a new emerging market on the example of Chinese SME expanding to Uzbekistan and Kazakhstan.

Overcoming liability of foreignness as the one of key success factors.

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ACT THINK IMPACT

PERSONAL MOTIVATION



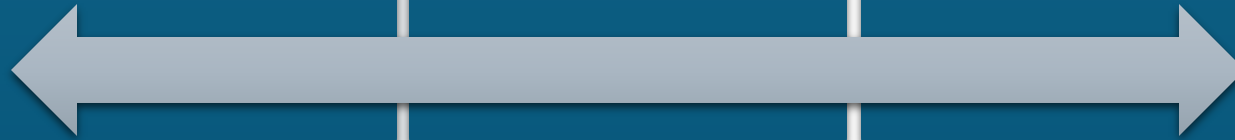
**Expansion to a
new market**



**Clear difference
of cost of doing
business for
Chinese SME**



**Different market
context**



WHY ASK?	• Small and Medium enterprises from developing countries expand to other emerging markets. • Emerging markets have an established competitive environment of local suppliers and suppliers from developed countries. • Challenges associated with entering new emerging markets: lack of familiarity with local culture, legal and regulatory environments, social networks, institutional structures, laws. • What strategies will help to sustain in the market and succeed in a long term?
HOW TO STUDY?	• Qualitative • Semi-structured interviews • Data is coded and organized using a qualitative data analysis Atlas.ti[®] • Historical data of enterprises, evolution and expansion analysis.
WHAT WILL IT CHANGE?	• Learning challenges faced by businesses from developing countries when expanding to other emerging markets. • Studying and finding best practices for small and medium sized enterprises.

LITERATURE REVIEW

The concept of LoF pertains to the additional expenses and risks that businesses face when operating in foreign markets, primarily as a result of their foreign origin (Zaheer, 2005; Zaheer, 2015)

Environmentally-derived LoF



**Government
Institutions
Culture**

Firm-based LoF



**Ownership structure
Firm-specific resources
Network based connections
Affiliation**

GAPS FROM LITERATURE REVIEW

Studies on LoF

- LoF from DM to EM
- Chinese MNA internationalization
- LoF in different host markets
- LoF across different industries
- Institutional context
- Strategies to overcome firm based LoF
- Strategies to overcome environmentally derived LoF

Gaps in LoF

- LoF from EM to EM
- Chinese SME internationalization
- LoF in Kazakhstan
- LoF in Uzbekistan
- LoF in packaging industry
- BRI context in SME internationalization
- TMS as the collective knowledge
- Isomorphism as the imitation of host country practices

EMERGING MARKET CONTEXT

The concept of developing and emerging markets has a big difference from environmental view and firm based characteristics. (Gaur et al, 2011, 2014)



STRATEGIES TO OVERCOME LOF

Environmentally derived LoF



Institutional adaptation



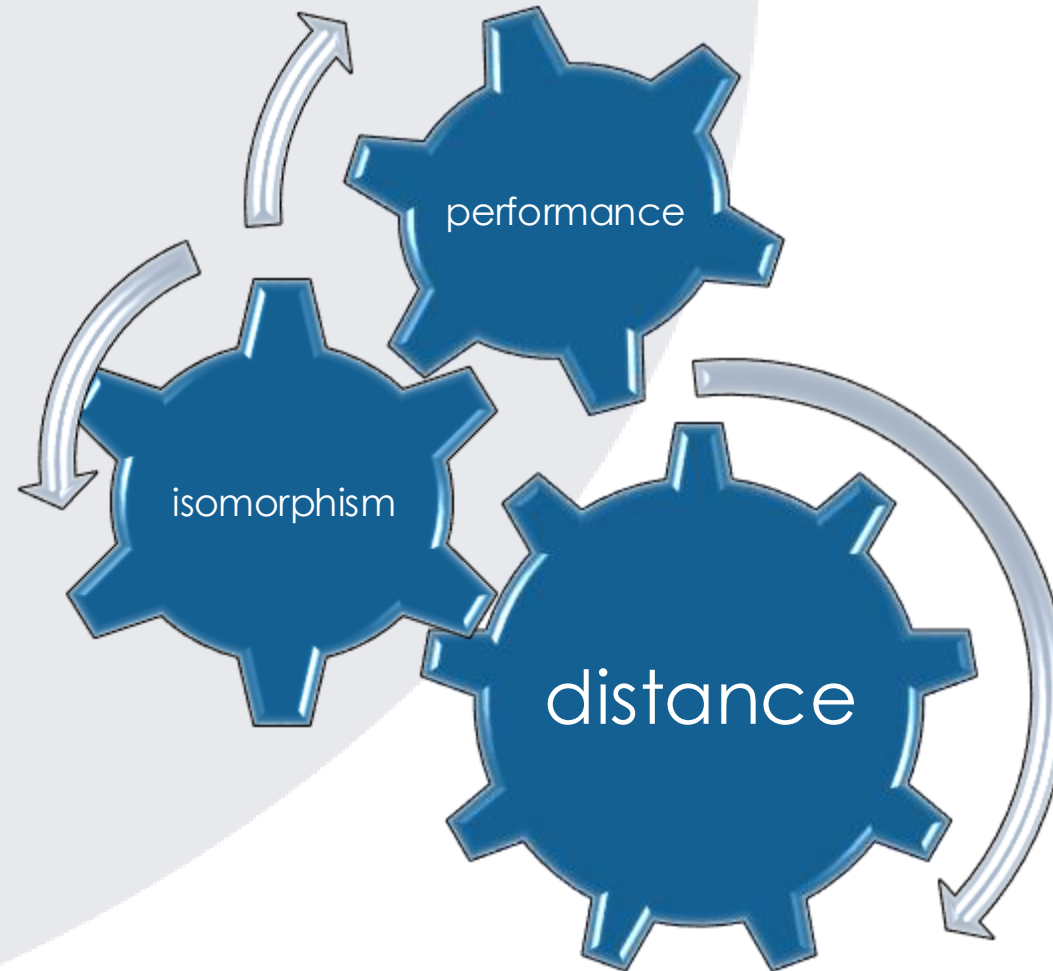
Isomorphism – imitation and resemblance



Mitigation of LoF

STRATEGIES TO OVERCOME LOF

Environmentally derived LoF



STRATEGIES TO OVERCOME LOF

Firm based LoF

EO

- Entrepreneurial orientation
- focus on creating value for customers, taking risks, investing in research and development, and pursuing continuous improvement (Anderson et al., 2009)

TMS

- Transactive memory system
- specialized knowledge with a shared, collective understanding of team members' knowledge and skills required for EO, which complements the knowledge-based view (Kollmann et al., 2020).

RESEARCH QUESTION

“What are the best practices for SMEs in terms of adopting and implementing isomorphism and TMS strategies to mitigate LoF when entering new developing markets?”

Sub question 1

To what extent do SMEs from DM develop and maintain a home-based transactive memory system and adopt it as part of their entrepreneurial orientation when entering new emerging markets?

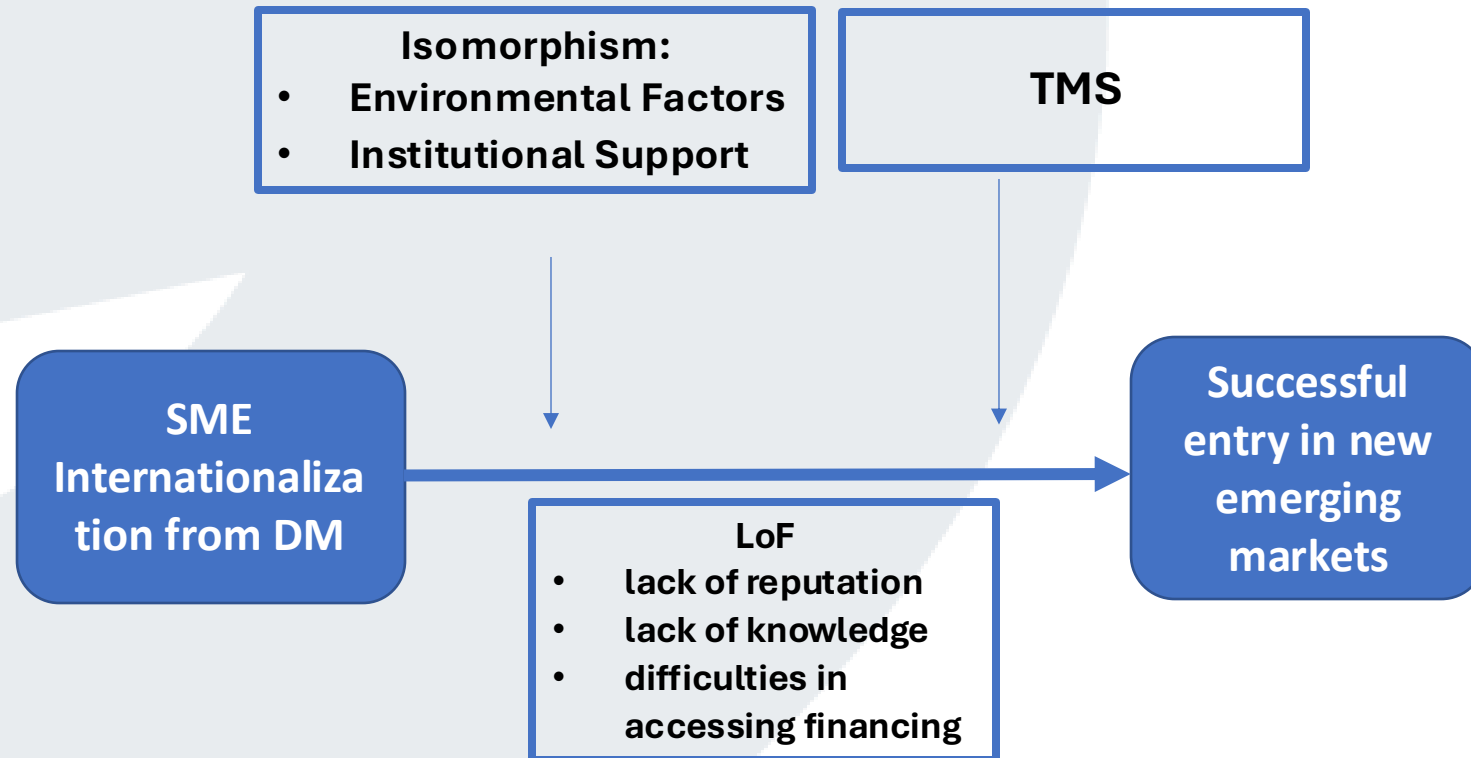
Sub question 2

To what extent do SMEs from DM develop and maintain a home-based transactive memory system and adopt it as part of their entrepreneurial orientation when entering new emerging markets?

Sub question 3

How can SMEs leverage their EO and TMS to develop a competitive advantage over larger, more established firms operating in foreign markets?

Theoretical framework of overcoming LoF



RESEARCH DESIGN



The aim of the researcher is to get as close as possible to the world of managers and to interpret this world and its problems from the inside... we wish to describe both unique and typical experiences and events as bases for theory that is developed and related to other studies (Dalton, 1959; 1-2)

DATA ANALYSIS

Chinese SME

- Decision making management
- Vice president
- Regional cluster head
- Managers operating in the market

Kazakhstan and Uzbekistan Customers

- Established in the local market
- Have been cooperating with the Chinese SME for more than 1 year

- ▶ A theoretical sampling strategy is employed to ensure that the sample is reliable and diverse (Eisenhardt, 2021).

PILOT STUDY

Document Group	Code
Entry modes	confidence in company's ability introducing special formats manpower that seize the opportunity for the new company to enter the market need to establish a local team second supplier

Document Group	Code
International experience and TMT	bringing the past experience to the new market experience transition from one developing market to another international market background importance of skills international exposure international focus international working experience share the best practice in other regions

PILOT STUDY

Document Group	Code
Home country market specifics	China is more competitive It is much more competitive compared to outside difference of competitors in China focus on Chinese market familiarity of Chinese market same culture same language
Examples of failures to enter new markets due to the chosen entry mode - finding agent	sometimes agents are not trustworthy from the customer perspective strategy to find agents outside of China for Chinese SMEs is not sustainable
Market entry changes	few changes in scheme of communications within the company
Threats of new market	different people distance familiarity of Chinese market language barrier logistic issues pressure is a different landscape region or specific countries. risk management different culture
Why Chinese SME sometimes still prefer to operate within China even seizing the opportunities abroad?	speak the same language specific people standard practice stay close to the clients stay close to the market strategy to find agents outside of China for Chinese SMEs

PILOT STUDY PRELIMINARY RESULTS

Market entry mode

- locating agents,
- established businesses
- local entrepreneurs operating within the desired market.

Market based resources

- Hiring local management
- Risk versus return

Isomorphism

- respondents from raised reservations about Chinese SMEs replicating or copying processes from industry leaders.
- Need for profit from new advancements, developments, and innovations

Learning by doing

- each challenge necessitates immediate action.

Price VS Quality

- Economical value to compromise quality
- Services, technical support and frequency of communication to compromise standards

Friends or Business partners

- Term “Friend” is commonly used as a strong business partner

