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THE DEVELOPMENT OF HAIAN MA- CHINERY MANUFACTURING CO. LTD IN THE INTERNATIONALIZATION

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<p>Abstract</p> <p>China has implemented reform and opening policy for more than 30 years and has made great economic development. Many Chinese SMEs have entered the international market. Under the circumstances, how to develop in the internationalization has become a crucial task for these SMEs. Therefore, this thesis report chose Haian Machinery Manufacturing Co., Ltd as the case study and the objective of the research is to analyze the company's situation and provide some suggestions for its internationalization.</p> <p>The research approach of this thesis report is mainly qualitative research to obtain, collect and analyze the data and information. The researcher prepared the internal interview and external interview for the case company. The views of interviewees are the important source of data to understand well the current situation of the case company. Interview analysis is constructed according to the company's point of view. Interview results are presented with the general manager's advice and SWOT analysis.</p> <p>The theoretical part includes basic analysis of international business operations and competitive strategy for a business enterprise in the global marketplace. The empirical part presents the research methods, implementation, analysis and results. Finally, the research basically achieves the objective through providing some suggestions in accordance with the SWOT analysis.</p>			
<p>Keywords</p> <p>International Business Operations, Internationalization, SMEs, Haian</p>			

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1 INTRODUCTION

The thesis report is for bachelor's degree in Business and Administration of Savonia University of Applied Sciences. The report clearly clarifies the international business operations in a rapidly developing world. As we all know, internationalization and globalization have made the world become increasingly smaller. Mostly, countries are not isolative anymore instead, being polymerize. The same situation is that many companies began to enter the international market, rather than confined to their home countries. Therefore, how to stand erect in a competitive and changing market has been a significant problem for these companies and enterprises, especially medium and small-sized enterprises (SMEs) in the internationalization. In this thesis report, the research puts the focus on analyzing international business operations and the development of the case company, Haian Machinery Manufacturing Co. Ltd, a Chinese enterprise.

Most customers of the case company are from overseas countries. Nowadays, the company has made the great development in the internationalization. Many challenges, however, appear and the company has to be faced with them. Therefore, the objective of the research is to analyze the company's operation and provide suggestions for its internationalization. The research also expects to analyze and study factors that could affect a small and medium-sized enterprise - the case company develop when operating international business.

All in all, according to comprehensive analysis of international business operations based on theoretical study and qualitative interviews, the author would figure out suggestions for the development of the case company, in other words, the research problem can be defined as "How could the case company - Haian Machinery Manufacturing Co. Ltd develop in the internationalization?".

Structure of the research

The thesis report is composed of five chapters, namely introduction, basic analysis of international business operations, competitive strategy for a business enterprise in the global marketplace, case study and interview analysis of Haian Company, and conclusions. Chapter one here introduces the background that what research problem the author concentrates to study, and the structure of the research.

Chapter two is the basic theoretical part which analyzes the environmental impacts on company operations and discusses the fierce competition that companies and enterprises have to confront in the internationalization. Also, this chapter mentions the key organizational players behind enterprises in the international environment and their functions. After that, the main emphasis is placed on the problem of risk management of internationalization, including country risks, commercial risks, currency risks and cross-cultural risks.

Chapter three is a deeper level of theoretical part which outlines the competitive strategy in the international business. The contents are discussed from market entry strategies to a variety of means of operation and management for companies to survive in the global marketplace, namely human resource management, supply chains management, finance and accounting.

Chapter four is the presentation about the author's case study and research results of Hai'an Machinery Manufacturing Co. Ltd, basically involving the points of view from the case company and other interviewed companies. This chapter firstly focuses on the general operation procedure of the case company, then describes the details about research implementation and the interview results. Meanwhile, a SWOT analysis for the current situation of the case company's development is presented separately and in the end of this chapter, it specifically makes the author's personal suggestions based on theoretical and empirical analysis.

The whole thesis report concludes with a discussion of the process of completing and the author's gratitude for all the help in the chapter five. Also, the reference list is enclosed in the end.

2 BASIC ANALYSIS OF INTERNATIONAL BUSINESS OPERATIONS

2.1 Descriptions of International Business

Before delving into this research, we firstly pay attention to the general understanding of international business which is the theoretical basis of this thesis.

2.1.1 Definitions

In general, international business refers to governments, enterprises and individuals undertake business transactions for the purpose of economic interests, namely commercial economic activities. It is worth noting that the essence of all those commercial transactions is the exchange across national border, which means the exchange of goods, services, capital, skills etc. between two or more countries.

According to the geographic scope, businesses could be classified into domestic business and international business. There are many differences between these two types of business, mainly manifest in the following three aspects.

Firstly, development environments are different. When enterprises engage in domestic business, they are facing variety of domestic environments, such as political, legal, economic, social and cultural environment. These environments are usually more stable, and enterprises are familiar with them. When enterprises engage in international business, due to multinational operations, they have to face the complex and changing international environment. Compared with the domestic environment, international environment is more complicated and diversified. Because enterprises simultaneously must accept many countries' management in foreign economic activities. In short, there are significant differences between domestic business and international business, for instance, differences of political system and legal system. If enterprises are not familiar with these differences, their international business activities surely will encounter great difficulties (baike.baidu.com, 2014.a).

Secondly, activity patterns are different. In international business, for example, the contents of negotiation and signed contract of trading parties in consultation process are different, and also the steps to fulfill the contract and specific links are different. In international trade, for delivering goods from exporting country to importing country, long distance transportation is an essential aspect. Sometimes, it needs multiple

transport modes. Moreover, in addition to buyers and sellers, each transaction often needs to get cooperation from the departments of transportation, insurance, customs, banks, inspection and quarantine, or accept supervision and management (baike.baidu.com, 2014.a).

The last difference is distinctive management factors and methods. Compared with enterprise management of domestic business, international business decisions need to consider more factors, which means the decision-making process is more complicated and more difficult. When internationalization of an enterprise reaches a higher stage, the enterprise will need conformable strategy, organizational structure and management style to adapt global business activities (baike.baidu.com, 2014.a).

2.1.2 Economic globalization

“Economic globalization” was first proposed by Theodore Levitt in 1985, in fact, so far there is no uniform definition. International Monetary Fund (IMF) thought that economic globalization means the increasing size and form of the cross-border trade in goods and services, capital flows, as well as the rapid widespread of technology makes independence of the world economy strengthen. However, Organization for Economic Co-operation and Development (OECD) considered economic globalization could be seen as a process, in this process, economies, markets, technologies and forms of communication have become more global, while ethnic and local characteristics have reduced (baike.baidu.com, 2014.b).

Therefore, as far as I am concerned, economic globalization can be understood from three aspects. Firstly, the strengthening of economic ties around the world; secondly, domestic economic rules in many countries tend to coincide; thirdly, the strengthening of international economic coordination mechanisms, namely the growing coordinating and binding effect from various multilateral or regional organizations to the world economy. Generally speaking, economic globalization refers to a kind of process which is based on market economy, with advanced technology and productivity as a means, leading by developed countries, in order to maximize profits and economic benefits, through the division of labor, trade, investment, multinational corporations and elements flow, to achieve national markets division and cooperation, mutual integration.

2.2 The Business Enterprise in a Changing International Environment

International business environment refers to the sum of various factors and their impact on enterprises engaged in business activities in the course of international business in the host country. As we all know, Chinese enterprises have developed rapidly in the past 30 years. After joining the WTO, China has extensively participated in the international division of labor and actively carried out international business. In this process, a large number of export-oriented enterprises have developed and some stronger domestic enterprises have explored the international market for operating overseas acquisitions and investments. Nevertheless, in the rapid development of international business, enterprises are faced with many difficulties. The following part is about the analysis of business enterprises in the changing environment (wenku.baidu.com, 2012).

2.2.1 Business in political environment

Political environment directly affects the international business activities of enterprises, determine the degree of difficulty of trade and investment, and the safety of funds, as well as business activities and their effects. Separately, the analysis is about to discuss mainly on the political system, political stability and the government's attitude towards foreign investment as well as legal system.

The differences in political systems have an impact on corporate mergers and acquisitions as well as overseas investment. In recent years, although the differences among political systems have been weakened in the international business environment, different political systems among different countries have implicit threat. For instance, China's special socialist political system for many European and American countries, especially the rapid development of Chinese economy to make the existence of the "China threat" theory internationally. This factor has a significant impact on Chinese enterprises overseas acquisitions activities, which Chinese enterprises carry out overseas acquisitions faced more stringent government approval. In this situation, foreign capital is constrained by governments of target countries. In particular, some enterprises to carry out overseas acquisitions are considered to be government-led international expansion and economic invasion (wenku.baidu.com, 2012).

The stability of politics influences international business development direction. A stable political environment can reduce the risk of international business, enterprises in international business activities also tend to cooperate with these target countries

which provide relatively stable political environment. Social and economic prosperity of western countries and the miracle of growth of East Asia since 1980s have made the political environment in these two regions relatively stable. Currently, Chinese enterprises' major areas of international business are western countries and East Asian countries, while due to the volatile situation in the Middle East, West Asia, Africa and Latin America bring instability to overseas business development.

The attitude of government to foreign investment has an important influence on the development of enterprises abroad, which is reflected in government policy, such as tariffs, preferential policies, etc. For example, "Made in China" products can be described both love and hate for other countries. Chinese products are attractive in prices and quality, which have been the main choice for foreign personal necessities and also provided low-cost raw materials for foreign companies. On the other hand, cheap Chinese products have impacted domestic products of overseas countries, resulting in the loss of many companies, thereby affecting the employment of these countries. Hence, many affected countries boycott Chinese products and bring anti-dumping proceedings for Chinese government and companies.

The legal systems, especially commercial law, economic law, foreign trade regulations have a direct impact on enterprises' activities of international business. There are differences in national laws. If lack of awareness of the legal system in target countries, the enterprises would likely violate the law, which led to the loss of economic interests (wenku.baidu.com, 2012).

2.2.2 Business in economic environment

Economic environment is a significant factor in the international business environment, the keys of overseas development environment for enterprises are economic environment. Meanwhile, economic policies, market size, economic cycles, etc. directly influence international business activities.

Economic recession is both a challenge and an opportunity for international business activities of enterprises. When the economic crisis struck, the international business environment also entered recession, which made enterprise financial constraint, product unmarketable and other threats to the survival of enterprises. The recession of the economic environment is a serious challenge for enterprises, which means in coastal areas of many countries, export enterprises suffered a serious blow, like a sharp decline in orders and production lines idle. Many uncompetitive companies

stagnated and presented the phenomenon that the business shrinks for a long time and even in the brink of bankruptcy. On the other hand, there are plenty of opportunities in this kind of economic environment. Many foreign companies in economic crisis are in a weak period that corporate assets shrink and capital chain tension, which forces these companies to seek assistance from overseas funds. Therefore, this is an opportunity to actively carry out foreign investment and expand international markets (wenku.baidu.com, 2012).

Market size is one of the significant factors of corporate business environment. When companies conduct international business activities, market size in the target countries is a major factor to be considered. Market size reflects the demand for products, which is also the condition to achieve corporate profits. Currently, the international market size is large, for example, Southeast Asian market deserves special attention of Chinese enterprises. Southeast Asia market is an emerging market with a large population and a large demand. Its level of development is less than European and American markets, also, its competitive pressure is relatively small. Furthermore, Southeast Asia market enjoys preferential terms of ASEAN Free Trade Area and convenient location (wenku.baidu.com, 2012).

Economic policies include policy on foreign investment, industry, taxation, foreign exchange, foreign trade and other aspects. Economic policies directly affect corporate profits, such as the RMB appreciation will impact on Chinese export enterprises, reduce product margins and decline international competitiveness. In contrast, the RMB appreciation is conducive to import technology and equipment for Chinese enterprises. Additionally, trade protective tariffs constitute barriers for enterprises to enter in target countries and increase costs to expand overseas business (wenku.baidu.com, 2012).

International industrial structure transition is a crucial international business environment that enterprises have to face in the internationalization. In the 1980s and 1990s, with the advantage of cheap labor power, China undertook labor-intensive industries in the international industrial structure transition, which promote the development of enterprises, exports and employment, meanwhile, bring serious problems of environmental pollution and resource waste. Enters for the 21st century, with the development of Chinese economy and the increase of wage level, labor advantage in China gradually lost, being replaced by Southeast Asian countries. On the other hand, Chinese independent research and development of technology has improved. Facing the international industrial structure transition again, China will more undertake the

development of capital-intensive and technology-intensive industries, while the labor-intensive industries are transferred to Southeast Asia (wenku.baidu.com, 2012).

2.2.3 Business in social and cultural environment

Social and cultural environment for international business also have an important influence. Social and cultural factors should be taken into account while enterprises expand international business. This part mainly focuses on the discussion of cultural differences and cultural integration.

Cultural differences and cultural integration are of great importance in conducting international business. Cultural differences perhaps make a country's products unpopular in another country. Moreover, when doing international cooperation with foreign companies, if do not understand well the corporate culture of the target countries or being offensive in etiquette to collaborators, it is likely to result in the loss of companies' business. From another aspect, cultural differences also provide opportunities for enterprises to expand international market. Precisely, cultural differences form product differentiation and make the product with the competitiveness in the overseas markets. Today, the integration of world culture is also conducive to international business activities (wenku.baidu.com, 2012).

2.2.4 Business in technological environment

Technical environment is an important condition for enterprises to develop international business, mainly including technological innovation, technological application and transfer of technology, as well as research and development expenses.

Technology applications play a promoting role for enterprises to develop international business activities. In recent years, the rapid development of science and technology has offered a more convenient method to carry out international business. In particular, the application of networks and the development of air transport have improved the efficiency of international business activities. Meanwhile, because of the development of science and technology, the mode of international trade has become diversified, which promote the development of business activities (wenku.baidu.com, 2012).

Technology transfer provides opportunities for companies in the internationalization. With the development of world economy and the advance of global economic integra-

tion, companies seeking to optimize the allocation of resources in the global market, the world formed an industrial model which takes technology, standards, and rules as the central task with the characteristics of globalized production. In this mode, the production technology has transferred with the expansion of enterprises. Developing countries have access to technology transfer from developed countries. For Chinese enterprises, absorbing international advanced technology has important implications for the development of business operations (wenku.baidu.com, 2012).

2.3 Organizational Players behind Enterprises

So far, we have focused on the different fields of international business environments. Now we move the focus to the key organizational players in the internationalization of enterprises, namely national governments, regional institutions and international organizations.

2.3.1 National governments

In one country's territory, the national government has the authority to enact and implement laws and policies which have the direct and indirect influence on the businesses within both foreign economy and domestic economy. Some national governments may devolve the power to local area for making laws and policies within the territory. From the view of indirect effects, governments are given the authority to make and carry out laws and policies so that governments have the responsibility for a vast variety of fields related to enterprises' businesses and even the whole national economy. These fields might be employment, taxation, medical insurance, import and export policies, environmental protection and others (Morrison 2009, 27).

Furthermore, most governments own nationalized business and hold a financial stake in many big companies. Sometimes a governments can use its authority and power to fit it economic needs compulsorily but private enterprises cannot. Private companies cannot optionally collect any tax from their employees to meet company's purpose. Therefore, governments have a direct impact on domestic economy and even on international economy to some extent because these governments own and control enterprises and companies. In addition, as mentioned in the above part of political environment, governments' attitudes towards foreign investments play a direct role, for example, a government's tariff policy may be preferential or harsh.

Actually, nationalized business in some countries involves a number of industries and more or less work on the national economy. In China, many fields of industry have nationalized business and state ownership has developed to a high level, while in many western countries, private ownership holds a dominant position. Whatever state ownership or private ownership predominates, national governments always play a certain role and affect enterprises in the internationalization.

In summary, national governments play both direct and indirect roles on enterprises in the economic life. They affect directly when they own and control enterprises, while they affect indirectly when they are responsible for lawmaking which offers regulatory frameworks and standards within which business operate in the national environment (Morrison 2009, 29).

2.3.2 Regional institutions

After the World War II, human deeply felt the cruelty of war and hoped to move toward the joint. In the circumstances, some regional groupings of states began to appear and have influenced the regional economy, even the world economy. These groupings have some commons, one of which is the wish to develop free trade, especially aim at lowering trade barriers when companies doing business among the states. The main regional institutions around the world include the European Union (EU), the Free Trade Area of Americas (FTAA), the North American Free Trade Agreement (NAFTA), the African Union (AU) and the Association of Southeast Asian Nations (ASEAN). At the inception of these groupings, most agreements were committed to free trade. With the continuous development, agreements of some regional institutions began to include economy, culture and education, as well as politics. The following part takes EU as an example to show regional groupings' impact on enterprises in the internationalization (Morrison 2009, 31).

Since the establishment of the EU, the EU member states have been committed to promoting the free movement of goods, labor services, persons and capital, and, focus on creating an internal market unshackled from barriers within the region. In the internal market, the EU has a thorough and explicit system of corporate policy, the goal of which includes to enhance the vitality of enterprises, to improve industrial competitiveness, to promote employment and economic development, its core is to support small and medium enterprises (SMEs). The corporate policies belong to the whole scope of the jurisdiction of the EU member states, and, the EU institutions in corporate policies are to play more role of coordination, promoting, and facilitating

convergence. The used means are mostly financial support, issued research reports, and to promote mutual learning and exchange of member states. From the official articles of European Commission, superficially, the European economy is dominated by large, multinational enterprises. Their multi-billion Euro takeovers, global expansion plans or -more recently- risks of mega bankruptcies dominate the headlines. Actually, more than 99% of all European businesses are SMEs. They provide two out of three of the private sector jobs and contribute to more than half of the total value-added created by businesses in the EU. Moreover, SMEs are the true back-bone of the European economy, being primarily responsible for wealth and economic growth, next to their key role in innovation, research and development (R&D) (ec.europa.eu 2013). Thus it can be seen that the EU corporate policy is the powerful backing behind companies and enterprises among the member states, also, the system of corporate policy provides various substantial supports to enterprises within the EU region and even in the international market.

Another typical example is the North American Free Trade Area (NAFTA). On January 1st, 1994, the United States, Canada and Mexico announced the formal establishment of NAFTA. These three member states abide by the principles and rules stipulated in the agreement, such as national treatment, most-favoured-nation treatment and procedural transparency. In the free trade area, their national goods can freely circulate to each other and enjoy tariff reductions. The establishment of NAFTA has promoted the growth of regional trade and increased foreign direct investment, and helped developed countries keep the economic strong position and made the developing country benefit significantly, also expanding the scope of cooperation among these three countries. In the other hand, the agreement also has brought negative effects. For developed countries, which are the U.S. and Canada, no technological content of consumer goods industry is unfavourable. Tariff reductions and economic assistance increase the burden. For Mexico, agriculture and national industry, in certain degree, have been impacted. Meanwhile, the ecological environment has been destroyed (baike.baidu.com, 2014.c).

2.3.3 International organizations

With the rapid development of information technology and the advance of globalization, international organizations have rapidly expanded. They are not only tens of thousands in number, but also covering widely, including politics, economics, society, cultures, sports, health, education, environment, security, poverty, population, women and children, and so many human survival and development related fields.

Growing interaction between sovereign states has led to co-operative frameworks and guidelines at international level, known as inter-governmental organizations (IGOs) which is the grouping of representatives of sovereign states formed to foster international co-operation to tackle particular global issues (Morrison 2009, 33). The information sources from IGOs are credible and authoritative, and most IGOs are committed to promoting free trade and reducing border barriers. Therefore, enterprises and companies generally follow guidance from IGOs and reference IGOs' information sources to help their operations and actions in the internationalization. The inter-governmental organizations arbitrate the trade disputes and provide the standard of trade for international companies, namely IGOs play the role of guide so that they can avoid companies being astray.

The World Trade Organization (WTO) is one of the most famous and influential of the inter-governmental organizations for international business. One of the most significant functions of the WTO that is garnering growing attention is the organization's dispute settlement mechanism, in which countries may bring charges of unfair trade practices to a WTO panel, and accused countries may appeal (Daniels, Radebaugh & Sullivan 2013, 336). It follows that the IGOs not only help to promote healthy development of enterprises for international business, but also their agreements restrict unfair competition and monopolization within the industry.

On the other hand, the increasing awareness of globalization led to the emergence of another type of organization, that is, non-governmental organizations (NGOs). Many of the NGOs are managed by private individuals, so it can be said that the NGOs are independent of governments. Some of them offer technical services to groups in need, while others work on disseminating and participating in special global issues. In spite of the NGOs are independent of governments, their most purposes, activities and operations are closely bound up with governments. Some NGOs may get support from governments to some extent, whereas some would like to affect governments. Hence, the main role of the NGOs in enterprises and companies is as the support and guidance, in the meantime, the NGOs supervise and restrict problems from the operation of enterprises, for instance, environmental pollution and human rights violation.

2.4 Risk Management of Internationalization

In the part of changing international environment above, we have analyzed the different factors in the changing international environment and we noticed that enterprises are being challenged in many aspects in the internationalization.

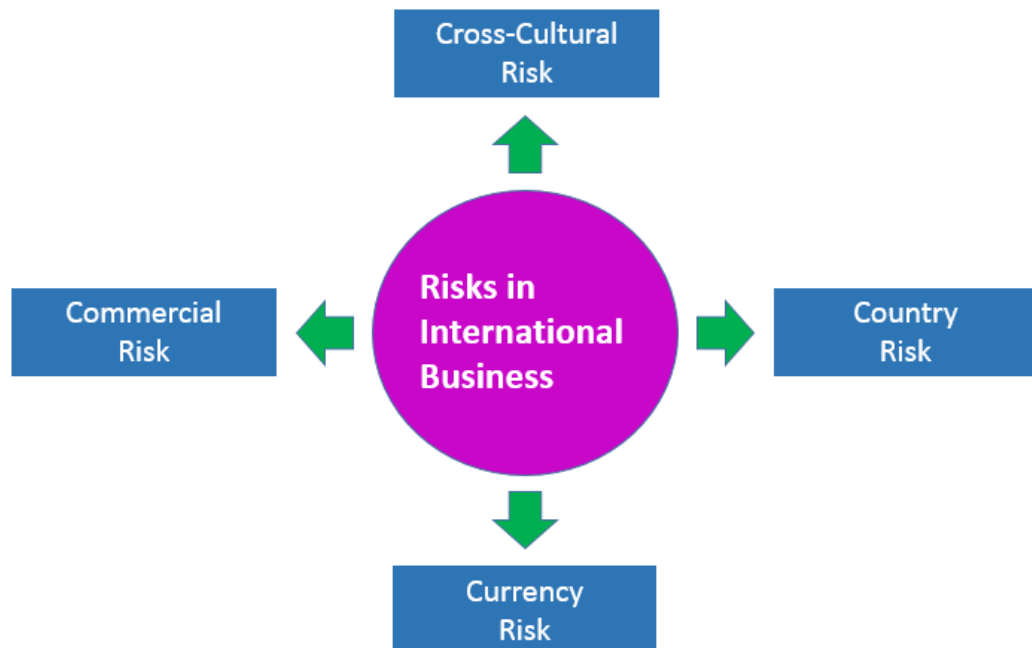


FIGURE 1. The four major risks in international business (Cavusgil, Knight & Riesenberger 2013, 200)

Therefore, according to these diverse challenges, in this section we will research that how enterprises utilize risks management to protect themselves when they are facing risks. Similarly, the analysis is divided into four aspects, namely managements of country risk, commercial risk, currency risk and cross-cultural risk.

2.4.1 Management of country risk

Country risk is defined as exposure to potential loss or adverse effects on company operations and profitability caused by developments in a country's political and/or legal environments (Cavusgil, Knight & Riesenberger 2013, 200). The cause which impacts on country risk directly is a political or legal factor, including economic, social and technological dimensions.

More specifically, it is certainly that companies would not be interested in destructive political system and turbulent situation; also the unfavorable laws and regulations mean to close the door for foreign investments. Simultaneously, foreign investments will evaluate legal system before entering the target country. What is interesting is that bureaucracy and red tape are usually considered by enterprises, some think they are potential risks of interfering businesses even making companies loss the basic freedom in the host country, and, potential factors include corruption and ethical problems. But then again, for foreign companies, the most concerned factors of country risk are government intervention, protectionism, and barriers to trade and investment.

How should companies manage country risk and protect themselves during the internationalization? There are several special methods as follow.

Proactive searching the environment of host country

Reducing or avoiding country risk asks perfect assessment. Companies through consummate evaluation system, obtaining the adequate understanding of the political and legal environment in the host countries, thereby, to evaluate potential risks and threats to companies. One of the best approaches to gain assessed information is employees working in the target countries (Cavusgil et al. 2013, 218).

Abiding strictly by ethical standards

Companies should not only comply with laws and regulations of the target countries, but also insist ethical standards. Honesty and good behavior can help companies develop and take a root or expand in the international market.

Collaboration with credible local partners

A knowledgeable and reliable local partner in the target market can help companies reduce or avoid country risk. Because qualified partners can lead companies to be familiar with local situation and also to build a bridge between companies and the local government (Cavusgil et al. 2013, 218).

Protection through legal contracts

Legal contracts explain the rights and obligations of each party in detail. Firms must obey the rules of legal contracts and infringement must be punished (Cavusgil et al. 2013, 218).

Monitoring conditions of host country

After entering the target country, companies should keep awareness of protection. One of the useful approaches is to monitor the current credit and capital market conditions of the host countries through banks or international institutions (Comptroller's Handbook 2008, 8)

2.4.2 Management of commercial risk

According to glossary of statistical terms provided by the Organization for Economic Co-operation and Development (OECD), commercial risk refers to in the context of export credits, the risk of nonpayment by a non-sovereign or private sector buyer or borrower in his or her domestic currency arising from default, insolvency, and/or a failure to take up goods that have been shipped according to the supply contract (stats.oecd.org, 2003). Put simply, buyers cannot afford to pay or unwilling to pay and sellers cannot offer qualified goods and services. The immediate cause of commercial risk is unqualified parties of the business contract, such as bankruptcy, unable to pay, unable to perform contracts and so on, while indirect causes may be force majeure, including natural disasters and war.

There are many means of commercial risk management aimed at different causes. In the discussion as follows, we summarize some important means of management.

Firmly establishing risk awareness is the precondition to strengthen risk management. Commercial risk is objective that companies must pay more attention to it. As managers of companies, they should not only establish risk awareness by themselves, but also tell the awareness to all staff and go on risk education, so that staff can be familiar with the result of commercial risk for company and the influence on their own interests (baike.baidu.com, 2011).

For commercial risks arising from changes in market conditions, the primary solution relies on **market assessment**. Such risks are the main part of commercial risk, so, they are necessary to be managed and controlled emphatically, through steps of market risk survey and market risk evaluation (baike.baidu.com, 2011).

Against some pure commercial risks because of goods damage and lost, companies usually **improve storage facilities, implement scientific management and strengthen security** to achieve the risk management and control (baike.baidu.com, 2011).

Buying insurance is one of the most useful methods to manage and control risks which are due to force majeure, namely natural disasters and accidents, including fire, storm, flood, earthquake, war, transport accidents (baike.baidu.com, 2011).

For commercial risks caused by improper trading, faithless behavior, patent infringement and other acts, companies usually work on **investigation and evaluation of assets and credit, cautious attitude to transactions and adequately using of legal measures**. For instance, when sign business contracts, companies can make some preventive provisions (baike.baidu.com, 2011).

2.4.3 Management of currency risk

Currency risk, also called foreign exchange risk, is a form of financial risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged (investopedia.com, 2014.a). For example, if a Chinese company imports goods from the U.S., and the U.S. dollar is appreciating against the RMB, then the Chinese company needs to pay more money to import goods. Similarly, if a Chinese company sells goods or services to the U.S., and the U.S. dollar is depreciating against the RMB, then the Chinese company faces currency risk and may receive a smaller amount of money.

Foreign exchange risk for enterprises is related to settle a specific transaction, which refers to during the process of transaction with the foreign currencies, a company suffers losses due to decrease of the amount of own currency caused by exchange rate changes. How should companies manage and control currency risk during their internationalization? In the following part, the discussions in accordance with referenced materials focus on internal and external means for companies to protect themselves against to currency risk.

Internal protection means

Adjustment method of assets and debts. Assets and debts denominated in foreign currencies are vulnerable to exchange rate fluctuations, and, changes in currencies may cause lower profits or increase in debts after converting own currency. Asset and debt management is to rearrange these accounts or convert into another currency that most likely to maintain their value or even appreciate. The core of this method

is to hold hard currency of assets and soft currency of debts. Because hard currency is stable or appreciated against own currency, while soft currency is the opposite (baike.baidu.com, 2012).

Selecting favorable denominated currency. The size of the foreign exchange risk is closely linked to the currencies. Different payment currency in transaction, then exposure to foreign exchange risk will vary. In foreign exchange receipts and payments, in principle, companies usually strive the hard currency exchange earnings, with a soft currency exchange payments (baike.baidu.com, 2012).

Entering into currency hedging terms in the contract. In the transaction negotiations, after mutual consultation, parties to make appropriate hedging terms in the contract in order to prevent the risk of varied exchange rate (baike.baidu.com, 2012).

Coming to an agreement of risk sharing arrangement. According to the agreement each party of business contract shares the risk caused by changes in exchange rates (baike.baidu.com, 2012).

External protection means

Forward foreign exchange transactions. When carry out forward foreign exchange transactions, companies sign contracts with banks. During the time from signing contracts to delivery, the exchange rate is unchanged in order to prevent the risk of exchange rate changes in the future. Forward foreign exchange transactions avoid the negative effect from the risk of exchange rate fluctuations, however, at the same time, companies also lose profit opportunities from a favorable change in exchange rate (baike.baidu.com, 2012).

Foreign currency options transactions. A contract that grants the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time. For this right, a premium is paid to the broker, which will vary depending on the number of contracts purchased. Currency options are one of the best ways for corporations or individuals to hedge against adverse movements in exchange rates (investopedia.com, 2014.b).

2.4.4 Management of cross-cultural risk

In the internationalization, enterprises always have to face complicated cultural environments which show differences in languages, lifestyles, customs, religions, values and other aspects. Cross-cultural risk arises from a situation or event where a cultural misunderstanding puts some human value at stake. Misunderstanding and miscommunication arise because people have differing values and expectation (Cavusgil et al. 2013, 117). People live in different regions, absolutely, they are effected by their own culture. So when people doing negotiation for business, they might show the different patterns to other party. Then, when making decisions, people also have different styles, some like doing directly and frankly, while others like doing implicitly. These situations are going to be the root of risk. According to Professor Cavusgil and his partners, cross-cultural risk can arise from ethnocentric orientation, polycentric orientation and geocentric orientation. Ethnocentric orientation means that people regard their own culture as the standard of judging other cultures. Polycentric orientation refers to a host-country mind-set in which the manager develops a strong affinity with the country in which she or he conducts business. Geocentric orientation refers to a global mind-set in which the manager is able to understand a business or market without regard to country boundaries (Cavusgil et al. 2013, 118).

From Professor Cavusgil's research about cross-cultural risk, enterprises and their managers can overcome cross-cultural risk pointedly and step by step. Generally, trying to learn other languages is a useful method of understanding and recognizing other culture, which is also helpful for communication and to develop the relationship between both sides. Moreover, businessmen need to avoid treating their businesses with cultural prejudiced perspective, and, they had better build the awareness of cross-cultural risk so that they could avoid the self-reference criterion and value judgment of other cultures. On the other hand, enterprises in the internationalization are requested to develop cross-cultural skills, including seeking common ground while reserving and tolerating differences, improving personal relationships, and being flexible and adaptable (Cavusgil et al. 2013, 142).

3 COMPETITIVE STRATEGY FOR A BUSINESS ENTERPRISE IN THE GLOBAL MARKETS

After learning the basic theoretical knowledge of international business operation, the focus of the thesis is shifted to deeper research about the strategy for a business enterprise to become more competitive in the international business.

3.1 Market Entry Strategies

An enterprise in the internationalization may get more opportunities and chances than in its home country; also, the option of strategy to an enterprise is various. Certainly, there is no single best strategy for every firm in the internationalization. The key point of successful strategy is suitability. The suitability here means that whether if the firm's strategy is suitable for the type of industry, and suitable for the institutional and cultural environment in the foreign. Besides, the firm also needs to find a balance between the strategy and organization (Morrison 2009, 239).

Generally, the traditional manufacturing enterprises regard exporting business in the targeted countries as the first step when they plan their internationalization strategies. Actually, it is not necessary for these enterprises to be present in the targeted countries; no ownership of foreign assets is involved. What these enterprises need to do is to set up an export department or just add the part of international trade in the market department. Perhaps, enterprises take advantage of convenient distribution channels in the foreign market, like cooperating with local firms and using an agent. If the foreign market is stable and sales performance is healthy, the firm might establish an office of sales and market in the foreign location. Some firms are not willing to take risks or just decide to establish the production line near to the target market in order to cost savings of transport and distribution (Morrison 2009, 239). Before going into market entry strategies, it needs to be mentioned that the research will discuss more around the point of export-oriented enterprises. Therefore, the focus here is on exporting business. Speaking specifically, the approaches to exporting can be concluded as direct exporting, indirect exporting and own exporting.

Direct exporting refers to manufacturing company directly sells its products to an independent intermediary in target country and takes care of exporting activities, namely the manufacturing company needs to manage the exporting process, operating many aspects from making products to marketing products. Moreover, the manufac-

turing company should have enough knowledge of international business, such as export routines, techniques and practices, but the company can get closer information of the target markets quickly. In short, direct exporting requires executive commitment and company resources to begin and maintain its activities. Indirect exporting, however, refers to a different scenario. Manufacturing company sells its products to a middleman in the domestic market, and then the middleman exports the products to its foreign agents, but the manufacturing company does not take care of exporting activities. This kind of approach is very suitable for small companies to reduce risk and simply start. At the meantime, indirect exporting does not require too much company resources to approach. Absolutely, this approach has disadvantages that it is expensive to run the operations and the domestic middleman is not responsible for every aspects of exporting activities. The last, own exporting, which means there is no domestic or foreign middleman between the manufacturing company and the end consumer. This approach requires the manufacturing company to contact customers continually. It seems that own exporting is the most costly way, but it also the most effective way. Own exporting can help the manufacturing company contact with the end customers so that it offers the opportunity to keep a long-term relationship. As a matter of fact, own exporting is not the best choice, because it does not have enough buffer stocks for market requirements. Once the target market changes, own exporting would be hard to adjust. Furthermore, this approach is real expensive and brings enormous pressure to the company (Daniels, Radebaugh & Sullivan 2013, 534 - 535).

Next, simply, the discussion is going to mention the basic modes of market entry strategies, namely export entry modes, contractual entry modes, and investment entry modes.

Export entry modes refer to the enterprise products in its own country, and then sell to the international market through the appropriate channels. As mentioned above, this is a traditional way of enterprises to enter the international market, currently, is also a common way to enter the international market. Export entry modes can be divided into direct export and indirect export. Contractual entry modes refer to the enterprise enters into the international market, through making long-term, non-investment intangible assets transfer cooperation contracts with companies from the target countries, including licensing, franchising, contract manufacturing and subcontracting, management contracts, and project contracting. Unlike export entry modes, in contractual entry modes enterprises' outputs are not only tangible products, but technologies, skills, crafts and other intangible assets. Investment entry modes refer

to the enterprise invests to establish or expand a permanent business in the target market, and has a certain degree of control over its management. The main form of investment entry modes is foreign direct investment (FDI) which can be divided into joint venture and sole proprietorship (Mühlbacher, Dahringer & Leih 1999, 456 – 468).

3.2 Choosing Location

Location decision is a big issue for enterprises before they engage in the internationalization. Firms need to consider many uncertain factors of economic, political, legal and cultural conditions in the target countries, which mean location decision-making requires firms to pay attention to business environment quality, innovation context, and resource costs. Then they assess and improve the analysis of decision by considering aspects of logistics, digitization and scale economics (Daniels, Radebaugh & Sullivan 2013, 455).

In the chapter 2.2, we have talked about international business environment by using PEST analysis, including political and legal, economic, social and cultural, and technological elements. Business environment in the selected country is a significant factor which influences firms' decisions on choosing location. However, the PEST framework is not the only method to help firms make location decision. It need to be supplemented and perfected by other factors of the selected country's environment, such as production potential and market characteristics. Figure 2 shows these dimensions which will be taken into account and the relationship among them. The PEST framework has been analyzed in chapter 2.2 and expounded how these dimensions of business environment impact on enterprises' internationalization. When firms making production decisions, they always pay more attention to costs, access to raw materials and experienced labor. Meanwhile, combining with political environment, levels of bureaucratic complexity and corruption block international business and effect firms' decisions. Speaking of market, foreign direct investment usually is interested in how much the potential size could be offered by the target market. And also, location decisions need to assess the affluence of local consumers (Morrison 2009, 243 – 244).

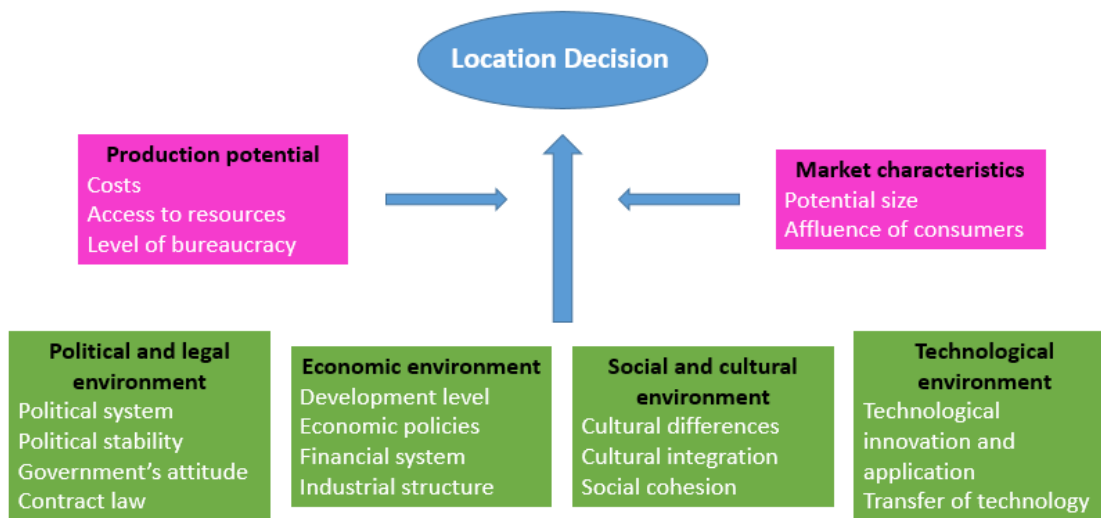


FIGURE 2. Location decision and considerable dimensions (Morrison 2009, 244)

3.3 Key Factors of Enterprise Competitiveness

So far, there is no final recognized definition of competitiveness and the scientific debate of this situation has been going on for many years. In accordance with the viewpoint of Organization for Economic Co-operation and Development (OECD), competitiveness is the capability of companies, industries, regions, nations and supranational regions to create a relatively high income factor and relatively high employment levels on a sustainable basis, while permanently being exposed to international competition (Gál 2010, 2). Although the recognized definition of enterprise competitiveness has not been explained by academic world, this research holds an opinion of enterprise competitiveness that under the competitive market conditions, enterprises cultivate their own resources and capabilities, access to external resources, and make use of them synthetically in order to achieve own values on the basis of creating value for customers. Next, the research will analyze deeply through three levels of enterprise competitiveness, namely product level, institutional level and core level.

Production level of enterprise competitiveness means the direct competitiveness which directly acts on market and customers, including a series of factors meet customers' need, namely the ability to control production and product quality, company services, cost control, marketing sales, research and development capabilities (baike.baidu.com, 2014.d). At product level enterprises focus on meeting the demands of market and customers. In order to improve this kind of competitiveness, enterprises usually pay more attention to efficiency of production and quality assur-

ance through improving production process, controlling production costs, perfect marketing channels, and increasing the level of company services, especially after-sales services.

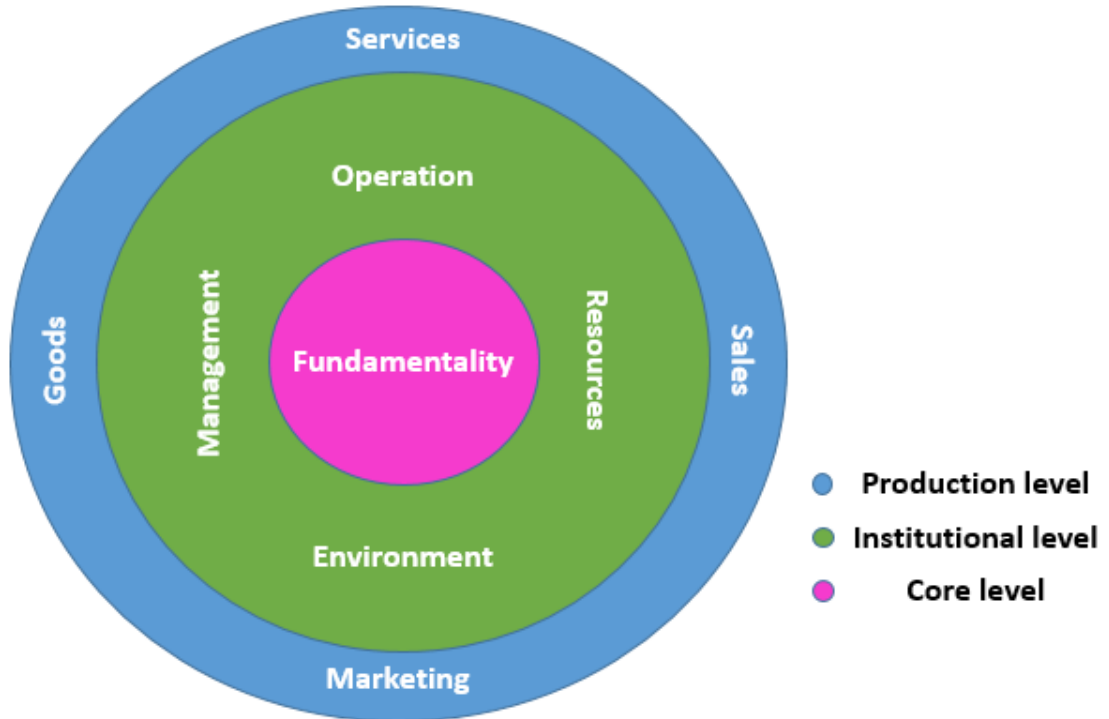


FIGURE 3. The key factors of enterprise competitiveness (baike.baidu.com, 2014.d)

Institutional level refers to the competitiveness in supported platform, also called precondition competitiveness, including elements of management and operation, corporate internal and external environment, resource relationship, enterprise operational mechanism, firm size, all of which have a decisive role in direct competitiveness (baike.baidu.com, 2014.d). Every firm has its own system of operation, so a firm's strong competitiveness at institutional level is determined by whether or not the system can work efficiently. If a firm can rationally organize productivity, link supply, production, sales and other aspects in a favorable condition, and, take full advantage of human, physical and financial resources, finally provide goods and services for social demands by consuming a small amount of labor and material, then this firm will be able to stand firmly in the market.

Core level of enterprise competitiveness, actually, is the fundamentality of competitiveness, which consists of corporate culture based on corporate idea and value, also has aspects of corporate image and brand, enterprise innovation ability, differentiated

and personalized corporate features, excellent vision, and even the target of global development (baike.baidu.com, 2014.d). Nowadays, the emergence of various intelligent devices greatly reduces the requirements of human resources, but people still have the ability to innovate is a rare wealth for enterprises. Innovative technologies are designed and developed by creative talents. Therefore, creative talents are always the most important factor for enterprises to lead the industry trend, and it is a necessary condition to build the core competitiveness of enterprises. Corporate culture belongs to the category of abstract consciousness and the value of corporate culture is often difficult to be judged. Even so, the status of corporate culture is universally recognized and respected in the modern enterprise system, because corporate culture affects the management of enterprise, the level of personnel construction and other more specific aspects. Moreover, whether a company with excellent corporate culture is no longer a question for internal staff to take seriously, more and more consumers will take into account a company's corporate culture when they choose products. In other words, company image and brand are the product of rising competition in the market, which makes increasing enterprises pay attention to brand strategy.

3.4 Operating and Managing in the Competition

In this part, the focus transfers to specific areas of operation and management in the competition, which are human resource management (HRM), manufacturing and supply chains, finance and accounting. The part discusses the development of enterprises' HRM and corporate human resource strategy in international environment, and introduces the function of supply chain management and specific methods. Also, this part talks about the global financial markets which offers different types of financial investments for enterprises, and the functions of accounting are simply introduced as well.

3.4.1 Human resource management

Any company, regardless of business size, must have the explicit division of labor, leadership decision, recruitment plan, system of work attendance record, promotion as well as awards and penalty. Human Resource Management (HRM) refers to process of hiring and developing employees so that they become more valuable to the organization, which includes conducting job analyses, planning personnel needs, recruiting the right people for the job, orienting and training, managing wages and

salaries, providing benefits and incentives, evaluating performance, resolving disputes, and communicating with all employees at all levels (businessdictionary.com, 2014). Internationalization and globalization require firms to expand their HRM which cannot be confined to home countries. Thereby, how to manage human resources in international context has become an operational issue for firms. When firms engage in the internationalization, obviously, they pay more attention to activities and process of personnel management involved more than one national environment, three main interdependent elements of which are environmental factors, corporate strategic issues and policies and practices, as shown in Figure 4.



FIGURE 4. Three main elements of international HRM (Morrison 2009, 320)

Firms have to take fully into account the host countries environment as well as home country, which means firms face crucial factors from institutions, societies and cultures when they carry out international HRM. Both home country culture and target country culture have impact on corporate human resource strategy. Firms need to consider cultural differences and cultural integration which was mentioned in Part 2.2.3. In short, firms' HR strategy must adapt different cultures in the process of expanding management in the international context. Another side is national institutions which provide protection for human rights and working conditions. Corporate strategic issues mean firms need to seek balance between HR strategy and corporate strategy

in the internationalization, also between global and local issues. International HRM strategies root in corporate global competitive strategy, and, for keeping the adaption of HRM, the firm has to consider issues of labor productivity, organizational flexibility and social legitimacy. International HRM policies and practices influence corporate strategic decisions like other two elements and focus on actual operation, including planning, hiring, training and development, appraisal and rewarding. In addition, the relationship between employer and employee is equally important to be taken into account (Morrison 2009, 319 – 321). These three elements are interdependent and interactional. They constitute corporate human resource management and effect corporate strategic decisions together.

3.4.2 Supply chain management

Before going into supply chain management, it is necessary to mention the value chain which is the set of linked activities the company performs to design, produce, market, distribute, and support a product (Daniels, Radebaugh & Sullivan 2013, 453). Then, supply chains around the core enterprise to build bridges among the different parts of value chain and link them together, also, forming a network to coordinate and control information, materials and funds from the initial raw-material supplier to the ultimate customer (Daniels et al. 2013, 686). The supply chain refers to a system comprising a plurality of main suppliers, manufacturers, shippers, retailers and customers. The supply chain management refers to the various activities and processes of planning, coordination, operation, control and optimization to the entire supply chain system. The firm's purpose of supply chain management is to send customers' right products to the right place at the right time, follow the right quantity, quality and status, and, with minimum cost for this total process.

A firm who has efficient supply chain management can keep competitive edge in the competitive market. The optimization of supply chain management is a useful internationalization approach to meet consumers' demands, reduce costs and bring profits, finally, achieve the significance of increasing customers' maximum satisfaction, reducing the company's costs in production, inventory and distribution, and optimizing the company's entire process quality. For managing supply chain efficiently, there are two specific management methods to be introduced as follows, quick response and efficient consumer response (baike.baidu.com, 2014.e).

When enterprises face a buy's market of many varieties and small quantities, they usually prepare various elements of production instead of completed products. When

customers make requests, the company can extract elements with the fastest speed and assemble them timely, thus provide the required products and services. This is called quick response. In the process of entering international market, quick response method relates to a company's competitiveness, which can develop the ability to satisfy customers' demands in a timely manner around the world.

Efficient consumer response refers to a new circulation system which is based on mutual cooperation among manufacturers, wholesalers and retailers and aims to provide greater benefits to customers, and improve the efficiency of supply, with extensive application of information technology and communication tools. In the internationalization of enterprises, efficient consumer response method reviews the process of production, logistics and sales among the upper, middle and lower reaches of the chain. So, the firms are able to eliminate the valueless cost for consumers during the entire supply chain process, and then satisfy customers' needs.

3.4.3 Finance and accounting

Financial activities and decisions have impact on firms and their international business. The company's leadership and decision-making must search the correct orientation to take advantage of the capital to achieve the company's goals. In the internationalization, the issue for the company is how to build a healthy financial framework to assure its international businesses and investments bring maximum benefits while minimizing the risks of international transactions. Nowadays, despite the growth and development of international business, the firms always engage in the face of constantly arisen risks. Hence, how to improve the management of finance and accounting has become another significant issue for managers in the international context.

With the development of internationalization and globalization, increasing firms have sought investment opportunities in the global financial market. Moreover, the ranges of choices offered by global financial market and the benefits from these financial functions have increased considerably. Figure 5 shows the roundup of global financial market and lists the different types of investment in it, which mainly are stock exchanges, bond markets, derivatives trading, commodities markets and foreign exchange markets. As a matter of fact, all of these investment types belong to securities which traditionally mean the financial instruments of ownership of shares, debt obligation or future rights. Derivative markets refer to the new valuable financial instrument based on traditional financial products, such as futures contracts, options contracts and forward contracts. Commodities markets have a long history which operate prod-

ucts like metals. Foreign exchange markets so far are the largest market (Morrison 2009, 396). Obviously, all financial instruments offer opportunities and possibilities for companies to make the healthy financial strategies. Again, risks are always accompanied.

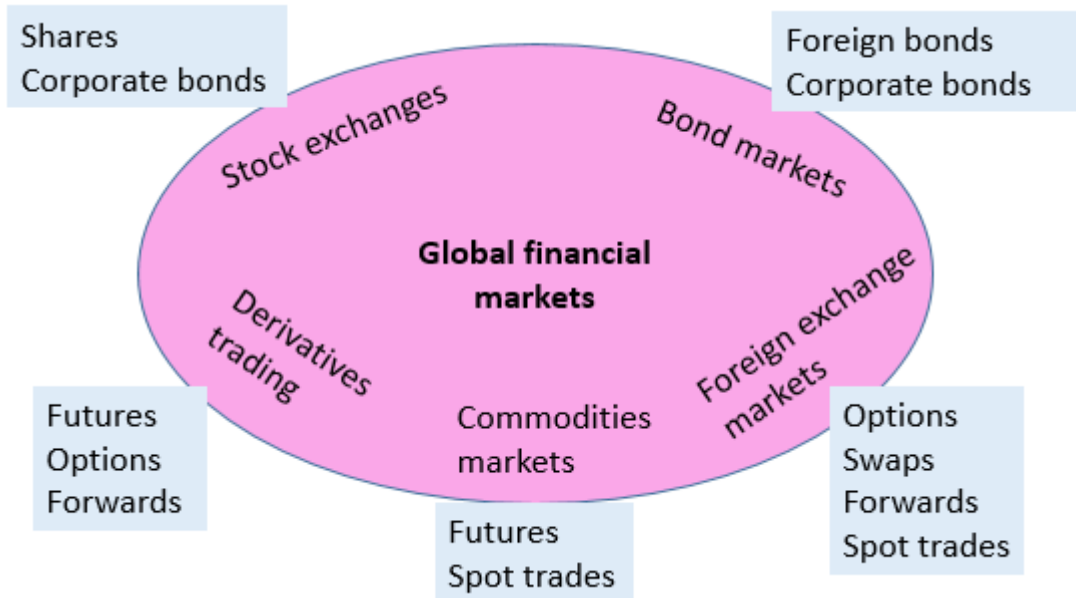


FIGURE 5. Overview of global financial markets (Morrison 2009, 396)

Accounting is a significant instrument of business management, which is also a method to reflect and supervise material production process. Accounting can be regarded as an information system to collect, process and deliver financial information so that the organization can use such information to organize, control, regulate and guide its business activities (Daniels et al. 2013, 724). For international firms, the different accounting standards in different nations bring challenges in their international operations. However, if the company's businesses are able to adapt these differences in accounting and also establish a healthy financial framework, the company will stand firmly in the increasingly competitive market with a strong competitive power.

4 CASE STUDY AND INTERVIEW ANALYSIS OF HAIAN COMPANY

The case research emphasizes the operation and management of Haian Machinery Manufacturing Co., Ltd in its internationalization, which analyzes in accordance with the implementation of practice research. After the SWOT analysis, the case study provides the suggestions for development of Haian Company.

4.1 Introduction of Haian Company

Haian Machinery Manufacturing Co., Ltd was restructured from a state-owned enterprise and established in September 2002, which is an advanced and high-tech enterprise in Anhui province, China. The company engages in commercial trade and business about the research, development and manufacturing of household machine tools and numerically-controlled machine tools. Now its floor space is around 95,000 square meter and the total asset of the company is over 50 million Yuan, approximately equal to 5.8 million euros. The business field of Haian Company is production and sales of machine tools, lathes and numerical control machine tools, as well as self-support and agent import and export of machinery (except as otherwise provided by the State). The company since its inception, has increased investment into technology and accelerated new product development, and so far, has owned over 40 types of products in 8 series. More than 90% of the company's products have been exported to over 40 countries and regions mainly in America, UK, Germany, France, Australia and Japan, and well received by customers (haianmachine.com, 2014).

Haian company is committed to meet customer demands and focus on customers. As the general manager of the company said, it is obvious that Haian will spare no effort to satisfy all its customers. Meanwhile, the business mission of the company is to found first-class enterprise as well as building big brand. For the cultural values of the company, the customers' problem would be regarded as the company's subject.

The general current situation of Haian Company could be summarized to this: Still owning great potential but with so many difficulties. To be more specific, Haian Company now has a stable market and fairly constant number of orders. Nevertheless, the shortages of liquidity and serious problem of personnel losing cause that the production cannot meet the demand of orders efficiently. In view of the current situation, the company is making great efforts and taking steps to solve the problems faced so

that its production capacity can be improved to satisfy the needs of customers (Jianzhong Wu, 21st July 2014).

The general operation procedure of Haian Company

In 1993, Haian Company was authorized foreign trade right and determined as the medium-sized state-owned enterprise in 1996. Previously, the company could not do international business with foreign customers directly, but just took orders from foreign trade corporations which act the part of middleman and many foreign trade corporations are also belong to state-owned enterprises. After authorized foreign trade right and restructured, Haian Company could run international business autonomously. Nowadays, there are two main channels for Haian Company to receive orders. One is from domestic foreign trade corporations; another is from foreign customers directly. It benefited from the legacy resources of state-owned enterprise. When receive customers' orders, Haian Company usually organizes meetings to discuss whether to accept orders and sign business contracts. In the majority of cases, the marketing department receives inquiry about orders firstly, and then report to the company's management. Then, the management discusses with other departments, especially production department so that they can make business decisions according to the company's current situation.

In accordance with the details of orders and workshop situation, Haian Company usually purchase raw materials from some suppliers whom actually are long-term partners with Haian Company. The manufacturing materials are some parts of products the company cannot manufacture or uneconomical to manufacture. For example, the company needs to buy the motors of machine tool and packing boxes which are made by wood. In the workshop of Haian Company, there are casting room, painting hall, processing shop and assembly shop. These parts of production are independent of each other but cooperate together to finish the production tasks before delivery date as far as possible. During the production, the company must need to prepare customs declaration before exporting products. On the basis of the interviews with the managers of Haian Company, they need to provide following documentations when apply customs declaration: commercial invoice, pro forma invoice, packing list, factory inspection list, commodity inspection and quarantine declaration, and other required documentations. This task belongs to the marketing department (Lian Yao, 21st July 2014).

The finished products are usually loaded in trucks in the assembly shop before delivery. Haian Company has its own transport team, and mostly, the trade terms in contracts are FOB (Free on Board), so the finished products are transported directly from the company's factory to the named ports of shipment within the prescribed period according to contracts. The company tried to find transport companies to deliver products in domestic area. But it was expensive and not as convenient as using own transport team. After the goods arriving named ports, the shipping company takes over and is responsible for carrying all goods to the place of delivery and finally for the consignee.

4.2 Research Methods and Implementation

The research of the case study makes use of qualitative research methods to obtain, collect and analyze information, whereby the main research method is interview. The quantitative research is not adopted in research methods on account of the restriction of one company as the example for case study. Speaking of the method of interview, there are two interview types used in the research, one of which is face-to-face interview, another is online interview. For collecting information, the research proceeds in two ways, namely the internal interview and external interview, which means the researcher not only make interviews with the case company - Haian Company, but also with other relevant companies.

The author, i.e., the researcher did an internship in Haian Company for a short time in the summer of 2013. Hence, the researcher had been familiar with the case company before making interviews with it. In order to get an insight into the business operation of the case company, the researcher prepared an interview plan which includes the internal part and external part. Both internal interview and external interview involve the questions about interviewees' working department and main duty, personal view of the current situation of the company, including strengths and weakness. Additionally, the research prepared specific questions for different interviewees. The detailed implementation of the research, mainly the interviews, is described in the next section.

In the summer of 2014, the researcher proceeded the research for the case study and made interviews with Haian Company and other concerned people. Firstly, the researcher came to Haian Company on Monday, 21st July 2014, and made interviews with some employees face to face, and the interviewees are the general manager, the manager of marketing department and the manager of workshop. According

to their different positions in the company, the plan of interview prepared some specific questions for different interviewee, which shown as follows.

The common questions are:

1. What is your main duty on your working position?
2. How do you think about the current situation of Haian Company?
3. What do you think about the company's strengths and weaknesses?

The special questions for the General Manager are:

1. In the internationalization, how do you think about corporate merger and acquisition? How about be purchased by other big companies? And how about share exchange?
2. Which kind of internationalization form above do you think is suitable for Haian Company? Why?

The special questions for the Manager of Marketing Department are:

1. Which kind of sales approach do you think is better for Haian Company, doing retail or distribution? Cooperate with local distributor or local retailer in the target country, which one is better?
2. What do you think about the strengths and weaknesses of Haian Company's product competition?

The special questions for the Manager of Workshop are:

1. Do you think the production line of Haian Company is suitable to shift abroad?
2. Do you think whether the company should pay more attention to product quality or reduce cost for boosting profits?

After the completion of the internal interview for Haian Company, the external interview for other relevant people is implemented step by step. As a matter of fact, the external interview aims to Anhui ANMEC Import and Export Corporation which is a cooperative partner of Haian Company, so the interviewees from this company are familiar with Haian Company. The interviewees are the manager of machinery import and export department and the office staff of machinery import and export department.

ment. The researcher interviewed them via a chatting tool online on Thursday, 7 August 2014. The interview questions for both of them are same and shown as follows.

1. What is your main duty on your working position?
2. How do you think about the current situation of machinery import and export industry in China?
3. What do you think about the strengths and weaknesses of your own company?
4. Could you please offer some suggestions for Hai-an Company (if possible)?

During the process of these interviews, the researcher made the written records of interviewees' responses, which are stated in the 4.3. Part of Interview Research Result Analysis.

4.3 Interview Research Result Analysis

4.3.1 Internal research

As mentioned above, for interviewees in the different position, the interview questions are considered for different purposes. For the internal interview, the researcher, firstly, needs to understand the main duties of interviewees and their personal views of Hai-an Company. Therefore, there are three same questions for every one of them. Then, the questions are asked concerning different business areas in accordance with their positions.

The general manager of Hai-an Company is responsible for the daily business management of the company. He also has duty to organize the management team and report the business situation to the board of the company. Hence, the questions for the general manager are more strategic and exploratory, which refer to the general manager's personal opinion of international form so that the research can get a better understanding how the company plan the development direction in the internationalization. According to the general manager's response, he thinks that international forms like share exchange, corporate merger and acquisition, are the way to enter international market and the means to achieve enterprises' strategic objectives. The general manager also provides information that so far Hai-an Company joins in international business through building marketing network by itself and the company will

keep developing the marketing network in order to consolidate the competitiveness in the international market.

The interview questions for the manager of marketing department and the manager of workshop are more specific in accordance with their working fields in Haian Company. Then the research can get information about the company's competitive elements which can help to analyze deeply. The manager of marketing department has a responsibility to execute the company's policies and complete the company's sales targets. Recently, he pays more attention to develop and enlarge the marketing network and build an efficient sales force. As far as he is concerned, the company's products are mainly for households but not belong to life-products. As an export-oriented manufacturer in the whole supply chain, the production method of Haian Company is mass production. Actually, using the sales method of retail will not bring wonderful benefits for the company. Because if the company exports many times but small amounts of goods in each order, it will expend lots of manpower and time, on the contrary increasing the burden. However, the stabilized and large batch purchase orders from distribution partners could help achieve the most benefits for the company. Therefore, distribution is better for Haian Company and improving the distribution network is particularly important. Speaking of the strengths and weaknesses of the products, the manager of marketing department considers Haian Company's products are full-featured and cost-effective. And also, relatively complete variety of products provides a big choice room for customers and adopt customer demand from different levels. However, the products lack core technology and competitive advantage is not obvious.

The manager of workshop not only leads workers to fulfill production plan according to schedule, but also takes charge of safety in production. The purpose of the interview with the manager of workshop is to get information from the basic level of the company and help the research analyze and give suggestion for competition of production level. The manager's answer to the interview questions is that the production line of Haian Company is not suitable to shift to overseas. He gives three reasons that Haian Company belongs to traditional industry and its products are traditional products, and, the production pattern does not belong to flow process. Furthermore, high labor costs abroad would weaken the company's competitiveness in that international market. When asked if the company should pay more attention to product quality or reduce cost for boosting profits, the manager of workshop said that the question is difficult for him to answer, for it is relevant to decision of company management. But the manager gave his personal opinion that the company should improve the

level of processing technology and build a sound quality assurance system so that the products can gain an advantage of quality, thereby achieving the purpose of reducing costs.

4.3.2 External research

Anhui ANMEC Import and Export Corporation was restructured in 2000 from Anhui Machinery Equipment Import and Export Corporation which was a state-owned enterprise and established in 1978. ANMEC Company runs the development and sales of machinery, household appliances, electronics, computer accessories, large-scale production equipment, import and export business of complete sets of equipment, also engaging in domestic and international bidding, scientific and technological cooperation, and investment cooperation. Nowadays, ANMEC Company has been in a partnership with Haian Company for about 20 years, even sometimes to a certain degree they are competitors for each other. Therefore, the company really knows about Haian Company, and, the two interviewees from ANMEC Company were willing to be interviewed.

In ANMEC Company, the manager of machinery import and export department has a responsibility to lead the department team to achieve the company's sales targets. Actually, the machinery import and export department of ANMEC Company is mainly responsible for marketing and sales in the international market. The manager manages the daily affairs and reports to the board regularly, while the office staff is responsible for the specific matters. Based on these two interviewees' viewpoints, in recent years, in China, the expansion in the fields of automobile and sub-supplier, aerospace equipment, national defense, shipbuilding, engineering machinery, electrical equipment, rail transportation, electronic information equipment, etc. directly drives the development of high-end machinery tool market. However, under the combined effects of multiple adverse factors, namely structural adjustment in the domestic market demand, the slow recovery of the international market demand, the increased competition of imported goods, the serious lack of liquidity and long-term deterioration of financial situation, enterprises are faced with business difficulties and potential risks, and, industry operation is still under great pressure.

When asked personal viewpoints about the strengths and weaknesses of their own company, both interviewees mentioned that although ANMEC Company was restructured from a state-owned enterprise, the company still keeps material and human resources and a large number of the original customer group. Therefore, ANMEC

Company inherits various resources and builds a powerful foundation to support the company in the competitive market. In addition, owning a loyal reliable customer group is also an important factor in the continuous development of the company. Speaking of weaknesses, they believe that in China the majority of small and medium-sized enterprises in machinery industry have a common weakness that core technology is lagging behind. Finally, when asked some suggestions for Haian Company, the interviewees did not talk too much, but just mentioned that how to efficiently deal with the problem of liquidity shortage is of great practical significance for Haian Company in current times.

4.4 Research Limitations

Absolutely, there were some challenges during the implementation of the research, which are due to insufficient funds, lack of time, subjective factors of interviewees, and even confidential information of company.

The interviews were proceeded during the work day in the summer, so under the circumstances it did not allow the interviews to take too much time so that their works would not be affected. Because of time constraints, interviewees did not answer questions particularly one by one. Also, more interviews might be much better and more helpful for the research. Additionally, it seemed like that interviewees would not like to talk about the company's situation in more detail when the questions involves financial issues and supplier chains. Interviews with Haian Company might acquire information based on internal situation which means these interviewees' personal viewpoints might be affected by internal factors, such as personal individuals' level of contentment of the job itself, including the effects from the level of business difficulty.

ANMEC Company is located in Hefei City which is far away from the place I live in. According to the research plan, the interviews with ANMEC Company should have been made face to face. As a matter of fact, due to time pressures and personal financial conditions, the face to face interviews with ANMEC Company of interview plan were hard to achieve. Instead, the interviews finally have been proceeded via QQ, which is known as a kind of online chat tool. After the interviews, it can be found that the effectiveness of online interview is not as good as face to face interview. Although online interview is convenient and efficient, the research cannot get enough information from interviewees to analyze what deeper content exists in the conversation. For example, interviewees' body language, facial expressions and manner of

speaking might have impact on interviewer's judgment. Considering a small number of external interviews, the researcher decided to add more interviews by sending emails for appointment to interview, however, received no response.

4.5 SWOT Analysis of Haian Company

SWOT analysis refers to a structured method which is used for synthesizing and summarizing all aspects of internal and external environments of the company, thereby analyzing the company's strengths, weaknesses, opportunities and threats in order to realize the company's strategic combination and to formulate properly competitive strategy. Therefore, SWOT analysis has a crucial importance for making company's future development strategy (baike.baidu.com, 2014.f).

Strengths

Through longtime unremitting development, coupled with all sorts of basic resources from the period of state-owned enterprise, Haian Company has accumulated a certain amount of resources and has its strengths that can be described mainly as four points as follows.

1. The company has owned smooth sales channels and saved some reliable and excellent customer group. During the period of the state-owned enterprise, the company had a good system of sales channel and also some foreign customers. These resources were mostly from the foreign trade association. It is worth mentioning that now even the company is restructured to a private enterprise, most customers and sales channels are retained.
2. After a long struggle, the company also has built some reliable and excellent suppliers from the foreign trade association. The foreign trade association sets up effective collaborative and communicative environment for the wide enterprises, which is like building a platform for enterprises to cooperate with each other and learn from each other. Haian Company found some reliable suppliers from such platform and now focuses on tapping potential partners in supply chain.
3. The company has a rich experience and highly skilled workforce whom are responsible and loyal to the company. The effective operation of a company needs the forceful support and operational capability from personnel. For Haian Com-

pany, the reform of enterprise and the movement of staff eventually confirmed a high-quality workforce, which is like providing the mainstay for the company.

4. The external environment of Haian Company is relatively good, for the powerful supports from the government, banks, and customers. For many years, Haian Company has been one of key enterprise in the local area, which is inseparable from the support of the government, banks and loyal customers. Especially in times of economic crisis, the timely financial support of the government and banks, namely making the loan for the company, has been enormously helpful in the operation of the company.

Weaknesses

Although the favorable external environment has been provided to Haian Company, the problem of inherent weaknesses is still prominent and should be solved urgently. There are three major weaknesses of Haian Company as follows.

1. Core competitiveness of the company is not obvious. As a matter of fact, there is no obvious advantage for Haian Company in the aspects of product innovation capability, resource integration capability, talents competitiveness, management competitiveness and brand competitiveness. This weakness builds a huge obstacle on the way to attracting new customers and tapping potential customers in the company's future.
2. Comparing with many other manufacturers in the international market, the manufacturing technology level of Haian Company is relatively traditional and backward. Even if the company has developed for many years, the manufacturing technology level did not get the fundamental improvement, which indicates a reflection of the company's weak innovation capability. Thus, manufacturing costs increase in virtually.
3. The company now is faced with the problem of shortage of working capital. Actually, this sort of difficult problem has perplexed the company for a long time. The shortage of working capital has seriously hobbled the company's efforts to develop and expand its business in the international market. Even though the company has a large number of orders in hand, the production capacity is insufficient which is unable to meet the needs of all orders. The mass production requires supply of raw materials, however, the shortage of working capital makes the

company cannot afford in time. The point is that the default of accounting receivable between companies becomes a common problem for the development of companies.

Opportunities

Following the development trends of economic globalization, international economic exchanges have become increasingly frequent. Enterprises in the internationalization therefrom have gained more and more opportunities to improve themselves. For Hai-an Company, its opportunities derive from the changes of the whole environment.

1. Macroscopic policy environment is gradually getting better. As the policy environment gradually getting favorable, in China, the costs of market transactions might continue to decrease for small and medium-sized enterprises (SMEs) and their competitive environment also has been continuously improved. Moreover, Chinese government has paid enough attention to the development of SMEs. For instance, the government officially launched the SME sector on Shenzhen Stock Exchange in order to create opportunity for the financing of SMEs (xzbu.com, 2012).
2. The company is able to directly learn and draw on advanced models and experiences of foreign counterparts. Hai-an Company participates in the process of international trade, the opportunities to compete and cooperate with foreign counterparts have greatly enhanced. Direct communication and exchange can make the company feel foreign enterprises' business ideas, behavioral patterns and management models more vividly, which will definitely affect the company so that it can change itself consciously in competition and cooperation in order to adopt the requirements of international market.
3. Advances in science and technology have brought unlimited business opportunities for the company. With the development of social economy, information has become increasingly important. For quite some time, Chinese enterprises have been in an unfavorable situation to access to information as a result of institutional reasons. But the development of modern science and technology has improved information technology and changed such unfavorable situation. A large amount of useful information has contributed to the company's strategic decisions on consolidating the domestic and expanding the international market.

4. After the serious effect of economic crisis, the unfavorable situation in international market has alleviated. International market started offering more and more orders to Chinese enterprises, which seems a good chance for these export-oriented enterprises to regain and expand their market. For Haiyan Company, receiving plenty of orders is a certainly good circumstance, and the point is that the company needs to catch the opportunity to reinforce the relationship with old customers and build the bridge between new customers.

Threats

At the moment, the situation Haiyan Company faces is that threats and opportunities coexist. The developments of society and economy absolutely create benefits for enterprises, while the expansion of economic globalization also brings challenges and threats to put a brake on the development of enterprises. Therefore, recently the company still has to be faced with the grim economic situation.

1. The impact of major events at home and abroad brings serious threats for Chinese SMEs. For instance, economic crisis and higher world oil prices, the ability of Chinese SMEs to defend against economic impact is very weak, once domestic economy has been affected by these events, SMEs will suffer from such matters firstly. In 2008 American economic crisis broke out, the effects of which have been felt all over the world, Haiyan Company was faced with severe challenges at that moment, even on the verge of bankruptcy.
2. The company would suffer in the wake of technology progress. Although technology progress creates opportunities for the company, meanwhile, brings serious challenges. With the acceleration of economic globalization and the continuous influx of foreign companies, due to many foreign companies master the technology that most domestic companies do not have, and thus caused a great threat into the sound development of Chinese SMEs. Technological improvement and innovation require significant investment of capital, while the risk of which is increasing and innovation cycle is getting shorter, however, Haiyan Company is small in size cannot afford the investment.
3. Chinese SMEs lack adequate legal protection. Determining the status of SMEs and safeguarding the legitimate rights and interests of SMEs through enacting laws and regulations are the common practice in many countries. However, domestic legal framework for SMEs is not perfect. The management of government-

tal departments for SMEs sometimes is lack of legal basis, which causes that the development of the company lacks adequate legal protection (xzbu.com, 2012).

4. The added value of Haian Company's products is not high. In the international market, low added value of products seriously weakens the company's competitiveness and profitability. Haian Company's products are mainly exported to European and American countries. There are numerous competitors and similar products in these areas. Low added value of products not only weakens the competitiveness to expand new market, but also threatens the company's own market.

4.6 Suggestions for Development

Aiming at the current situation, especially the existential predicament of Haian Company, the research has used SWOT analysis through the survey which is interviews of Haian Company and finally would like to make some suggestions as follows for its development in the future.

Focusing on solving the problem of working capital

According to the marketing situation of Haian Company over the years, it can be found that the smooth sales channels and the original market ensure enough orders from customers. Therefore, the most urgent task now is to focus on solving the problem of working capital to expand production scale, innovate and improve manufacturing technique. Here, the involved problem is how to finance. The research offers two suggestions of financing methods that one of them is bank loans to business and another is in accordance with national policy to list on "New Three Board" which is a special sector for SMEs in stock exchange used to transfer non-listed companies' stock rights. Haian Company has been one of the key enterprises in the locality for many years, and the government and banks would like to support it. Once its various aspects conditions conform to the requirements of listing on "New Three Board", it might be a big opportunity for Haian Company.

Furthermore, the company should actively seek social idle funds, making social capital blend in the enterprise to enhance its vitality and strength. Also, actively collaborating with financing institutions and drumming up funding, like bank loans mentioned

above. In the process of seeking loans, the company must strive for support from the government and actively look for guarantee.

Attracting talents in multi-channel and reinforcing the training of staff

Through the survey of Haian Company, the research noticed that the loss of personnel is another issue that needs to be addressed urgently. At present, the skilled workers of Haian Company are mainly from the period of state-owned enterprise. Only a small amount of fresh labor force has been supplemented in the company, in the meantime, part of older workers are losing. In this case, the company should pay more attention to human resource management, because personnel losing will pose a potential risk for the sound development. The company should fully recognize the significance of staff training for its stable health development, which means the company should be willing to part with the investment of personnel training, making specific human resource development plan in light of the company's requirements. Establishing the training system and improving the level of training mainly aim at the fresh labor force. Also, the company needs to perfect the system of rewards and penalties as well as promotion system in order to create a positive working environment so that initiative and creativity of individuals could be mobilized.

Establishing a strategic alliance in the international market

After many years of development, Haian Company has owned some reliable and excellent suppliers and partners from the foreign trade association, which reminds or offers an opportunity to establish a strategic alliance with relevant enterprises to enter the international market. In such strategic alliance, the linkages among companies, associations, and even governments play a role that each of them performs its functions and each of them does its duty in order to achieve making their respective advantages complementary to each other in the orderly operations. Under the circumstances, it is beneficial to create a favorable operation environment, prevent and defuse risks, avoid part of the trade barriers as far as possible. Such a development model, actually, seems like a test for Haian Company to share its foreign market. On the contrary, this model can not only help the company keep its own market but meet the demand of extra market which its production cannot provide.

Building independent brands

Indeed, having international selling network is superiority for many Chinese export-oriented SMEs. However, in the great potential market, the shortcoming is that many of them do not have their independent brands. The same problem for Haian Company has been noticed when the researcher made the interviews in Haian Company. The nameplates on its finished products just show the place of origin, date, and other information, while it can find that the logos of buyer are imprinted on the body of these finished products. Hence, the suggestion offered for Haian Company is that focusing on expanding the export of own-brand products, not on the production mode of original equipment manufacturer (OEM). The company should keep the advantages of traditional industry, like higher cost performance. And then, own-brand building needs to be highly valued by the leadership of the company. In the circumstances of weak own power, looking for external assistance actively to increase input of research and development is a good choice for Haian Company. Meanwhile, for the internal environment of the company, setting up the innovation concept and consciousness will like powerful software acting as catalyst to help the whole brand building plan work efficiently.

5 CONCLUSIONS

With the development of economic globalization, the demands from international markets have increased continuously and international business has become far more common, however, the various factors of which are changing all the time, so companies and enterprises in such environment are faced with difficulties. The development, absolutely, provides numerous opportunities, but at the same time, fierce competition also brings lots of challenges. There are countless middle and small-sized enterprises in the international market; Haian Company is one of them. Similarly, Haian Company has to make important choices when faced both opportunities and challenges in its internationalization.

The research has discussed the current situation, operation, development status and dilemma of the case company, and then based on the SWOT analysis; achieve the purpose of the research which is to try to provide some suggestions for the case company's development in its internationalization. In the process of doing this research, the researcher firstly learnt and analyzed the theoretical knowledge of international business operation so that it could build a foundation to proceed the case study of Haian Company. The theoretical part includes the knowledge about the international business environment, key organizational players, risk management and competitive strategy, which provides helpful references for the part of case study. During the summer of 2014, the researcher began making interviews to prepare the case study. After sorting and analyzing the useful information from the interviews, the researcher figured out the biggest strength of Haian Company is holding the stabilized market and having adequate customer source. Meanwhile, the most serious problem that the company struggling with is shortage of working capital. Finally, the suggestions are came up with around these two points, the best and the worst.

After the serous effect of economic crisis, the international economic situation is now improving. Furthermore, macroscopic policy environment in China is also gradually getting better. The phenomenon seems to create favorable chances for Haian Company in its international business. After all, the internal difficulties, such as shortage of working capital or manpower are not fatal for the company's development in the future, and as the managers of Haian Company said, all problems are normal in the company's development and all of them could be solved in the short term if their present measures go well.

In the end of this thesis report, the author would like to mention that thanks to the help of people from Haian Company, the research can be completed and the suggestions based on the research can be given for Haian Company's development in its internationalization. Therefore, to be frank, the researcher here appreciates that all interviewees could provide active cooperation in the process of interviews, and also appreciates the help and guidance of thesis supervisor. Finally, it hopes deeply that the suggestions could be useful for the development of Haian Company in the future.

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APPENDICES

Appendix 1

Questions for the Interview in Haian Company

Interviewee	Position
Jianzhong Wu	the General Manager
Lian Yao	the Manager of Marketing Department
Lizhi Jiao	the Manager of Workshop

The common questions are:

1. What is your main duty on your working position?
2. How do you think about the current situation of Haian Company?
3. What do you think about the company's strengths and weaknesses?

The special questions for **the General Manager** are:

1. In the internationalization, how do you think about corporate merger and acquisition? How about be purchased by other big companies? And how about share exchange?
2. Which kind of internationalization form above do you think is suitable for Haian Company? Why?

The special questions for **the Manager of Marketing Department** are:

1. Which kind of sales approach do you think is better for Haian Company, doing retail or distribution? Cooperate with local distributor or local retailer in the target country, which one is better?
2. What do you think about the strengths and weaknesses of Haian Company's product competition?

The special questions for **the Manager of Workshop** are:

1. Do you think the production line of Haiian Company is suitable to shift abroad?
2. Do you think whether the company should pay more attention to product quality or reduce cost for boosting profits?

Questions for the Interview in ANMEC Company

Interviewee	Position
Baowei Zhao	the Manager of Machinery Import and Export Department
Dengfu Zhu	the Office Staff of Machinery Import and Export Department

1. What is your main duty on your working position?
2. How do you think about the current situation of machinery import and export industry in China?
3. What do you think about the strengths and weaknesses of your own company?
4. Could you please offer some suggestions for Haiian Company (if possible)?

