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FACULTY OF BUSINESS ECONOMICS
Master of Management

Masterproef
Internationalization processes of firms from emergent economies

Promotor :
Prof. dr. Pieter PAUWELS

Maria Jose Cebrian Tornero
Master Thesis nominated to obtain the degree of Master of Management

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1. Management summary

The goal of this thesis is to clarify the key antecedents or key success factors (KSF) that boost the incredible success of firms from emerging economies. One of those variables is the role of institutions in the host country which will be analyzed as well.

The exploration of internationalization process is significantly focused on firms from developed economies and there has been a flurry of research on it during the last decade. However, there is a smaller amount of research about the internationalization process of firms from emerging economies. This research gap, and the need to illuminate the factors that influence their performance, motivate this master thesis.

Or in simple words, the objective of this dissertation is to get a deeper insight of the internationalization process of firms from emerging economies. It is of great interest to investigate this competitor force to understand the ins and outs of their international success.

Throughout deep research and expert interviews, we will get further understanding of mainly two aspects: first, of the internationalization process, key factors and barriers those firms from emerging economies might face. And secondly, of the important role some organizations have in supporting and promoting firms investing in Belgium.

The remainder of this thesis is structured as follows: first, a brief foreword and introduction are presented. Second, a theoretical framework is drawn through the literature review. Important variables in the process of internationalization of firms from emerging economies are discovered. Third, the research method is briefly explained. Fourth, some cases of organizations are presented as an example of the influential role of institutions in the process of internationalization for firms of emerging economies. A brief introduction of the companies and the highlights of the expert interviews are described. Fifth, the last section covers and discusses the findings, implications, management advices, research possibilities and limitations derived from the work. The relevance of the key success factors that influence the process of internationalization are confirmed and other news are discovered. Sixth, the articles, books and other sources are mentioned in the references. Seventh and finally, other practical information about the BRICS and the agencies is included in the appendices.

2. Foreword

First and foremost, I have nothing else but words of gratitude to my parents, Aurelio and Josefina. They gave me the great opportunity of going abroad, specialize myself in the area of International Marketing Strategy and make all my dreams come true. Their love, support, encouragement and care made me stronger and able to be far away from home. Without them, I would not be here today. Therefore, I would like to specially thank to Javier and Carlos, none sister can ask for better brothers. My gratitude as well to my grandmother Manuela, my great-uncle Manolo, my grandparents Amable and Rosario, and the rest of my family who have always been there for me.

Second, this dissertation (and the year) would not have been possible without my boyfriend Jelle. He gave me the force and set some light when it was dark. His love and aid are priceless.

Third, it gives me great pleasure in acknowledging the support and help of two special persons. I am indebted and thankful to Marleen who always treated me as her own daughter, and to my friend and big sister Toni who brought me a little piece of Murcia in her trips.

Fourth, I cannot forget my lifelong friends who made 2, 000 kilometers such a small distance. I am happy that we still stay close and our friendship continues to grow day after day. I am deeply grateful for the laughs and moments shared with Carmen, María and Susana. Thanks as well to my friend Elo for teaching me to speak honestly and to Pilar for being a lovely and true friend. Last but not least, thanks to Martika who gives strength and takes care of me from heaven.

Fifth and finally, I would like to express my most sincere gratitude to my tutor and professor Piet Pauwels, for his guidance, lessons, wisdom, patience, time and chats. The realization of this thesis could have not been possible without his supervision, advice and assistance.

Thanks to all people mentioned above (and I am likely forgetting someone), I was able to write this dissertation. They did their bit to help and made my year easier to put into effect. I would have been lost without all of them.

3. Declaration of oath

I hereby affirm that this master thesis has been my independent work and has not been aided with any forbidden resources. I declare, to the best of my knowledge and belief, that all sections taken from published and unpublished sources or documents have been reproduced whether as original, slightly changed or in thought, have been mentioned as such at the corresponding places of the thesis, by citation, where the extent of the original quotes is indicated. This dissertation has not been presented for evaluation to another examination authority or has been published.

Hasselt, 14.08.2013

María José Cebrián Tornero

4. Introduction

In the twenty-first century, firms are buying, developing, producing and selling products and services in most countries and regions of the world. It is so-called, globalization. Every day, firms fight against each other in every corner of the world's market. The picture of the world has changed and companies in developing countries are becoming integral parts of it (Hollensen, 2011).

These firms do not follow the traditional pattern of internationalization of firms from developed countries. But, what is internationalization? For Knight (2000), internationalization expansion procures new and potential lucrative markets, helps increase the firms' competitiveness and facilitates access to new products, innovative ideas, skills and technology. However, to success in international ventures, advance planning is crucial.

On the basis of the last just mentioned, Hollensen (2011, p.6) defines internationalizations as "doing business in many countries of the world, but often limited to a certain region". There are myriad of factors that explained like for instance, expand the firms' R&D, take advantage of other ways of production or get access to other business activities in international markets. However, the fundamental reason for going abroad is to make money. On the other hand, Shan & Song (1997) stated that internationalization has the potential to acquire resources and capabilities in international markets to develop new advantages.

Therefore, globalization and an increasingly interconnected world have modified the international framework due to the raising of new economic powers. Thus, a new economic order is appearing while politically it has been not yet captured this transcendental change. It is the end of an era. The American hegemony, together with the Union Europe and Japan, is over and other countries blunt.

As an example of this transformation, we have the controversial discussion about emerging economies, hence, this concept should be explained before going any further. What do we define as an emerging economy? Following the interpretation of Hoskisson et al. (2000, p.1), emerging economies, which comprise both developing nations and post-communist transition countries, are "low-income, rapid-growth countries using economic liberalization as their primary engine of growth". In more simple words, we can label developing or emerging economies as those ones that are growing at much faster rate that

the rest of the economies. They are characterized for having lower wage costs, recent industrialization, rising openness to the exterior, human capital development, high margins benefits and encourage private enterprise development.

They mainly face the expansion of four emerging powers: Brazil, Russia, India and China. Because of its 'weight' in Africa, South Africa could be described as well as a continental power, receiving thus the name of BRICS (Appendix 1). The so-called BRICS are playing an important role in today's world and their firms are using international strategies to pursue market development.

The only emerging country with global reach is China, closely followed by India. However, because of the political system and continental dimension, China has chosen a solitary path without international strategic partners but of peaceful coexistence (Jiabao, 2007). Meanwhile, India has become the main international ally of U.S., UE (mainly Germany), Japan, South Korea and Russia due to the political commitment to democracy, the cultural ties because of the fluency in English and finally, the relatively open market economy. Thus, China and India begin to play in the first 'league' of the international hierarchy of power. Both are partner and competitors at the same time, challenging U.S. as new and key economic power from Asia.

There are numerous ways for individual firms to internationalize such as overseas mergers and acquisitions, exports, strategic alliances or joint ventures with a foreign partner. There is as well a new pattern in the internationalization modes, the called born global firms. These companies globalize from its birth without any preceding long-term internationalization period (Hollensen, 2000, p. 87). Each mode of foreign market entry has advantages and disadvantages for firms to penetrate new markets and engage internationalization. The choice for firms to enter foreign markets and engage international business participation will depend on multiple internal and external conditions.

The main research question is related to the influence of some key antecedents in the internationalization process of firms from emerging economies. Throughout deep interviews other important factors which could be 'hidden' or 'missing' in the literature review were discovered. Moreover, many relevant Belgian organizations were studied to understand their role in the process of internationalization of firms from emerging economies.

Nevertheless, the exploration of internationalization process is significantly focused on firms from developed economies and there is a smaller amount of research on firms in internationalization from emerging economies. This research gap, and the need to clarify the factors and barriers that influence the performance of firms from emerging economies, is attracting more and more attention. It is of great interest to analyze this competitor force to understand the ins and outs of their international success.

5. Literature review

The objective of this chapter is finding what primary factors influence in the internationalization behavior from firms of emerging economies.

Factors that may influence the internationalization process of firms from emerging economies.

Throughout the literature review, most of the authors agree that there is a paucity of research on firm internationalization from a developing country, but there are some exceptions from authors who studied firms from emerging economies, like Tsang (1999, 2001), Tyagi (2000), Child NG and Wong (2002), Hashai and Almor (2004) and Mathews (2006). The rich complexity of international markets warrants further research. Most studies were focused on developed countries, while developing nations, emerging economies (BRICS) in particular, have been not given adequate attentions even though firms from developing economies have been actively implicated in foreign business in the last decades and being playing a key role in firms' survival and international trade success (Chi & Sun, 2013).

In today's world, the rapid changes of the economy are having an increasing impact worldwide and firms from emerging economies are attracting much attention due to their influence in this new context (Liu et al., 2008). Thus, we need to understand why and how ordinary firms from developing economies go international. How these firms are entering and expanding into foreign markets so rapidly.

It can be observed that the normal pattern of internationalization has changed for firms from emerging economies. For instance, Chetty and Campbell- Hunt (2004) pointed out that, in recent years, the process of firm internationalization has been simplified and shortened due to improved international communication and transportation along with the homogenization of markets in many countries. As a result, firms may skip stages of international development that have been observed in the past, or internationalization may not occur in stages at all (Oviatt & McDougal, 1994). The existing theories of internationalization are insufficient to fully explain this phenomenon. Thus, there is a

necessity to create a model which might be used to explain firm internationalization in developing economies.

Emerging economies have as well lack of experience in marketing their products abroad, and it is imperative for them to comprehend the impetus for international behaviors and its outcomes. However, there have been few empirical studies conducted on internationalization behaviors of firms from emerging countries or the performance of such behaviors (Aulakh et al., 2000). Nevertheless, other studies have provided consistent evidence that international firms have higher levels of productivity (Greenaway & Kneller, 2004) and the knowledge gained from international markets can improve performance (Álvarez & López, 2005).

Specifically, we will try to understand what factors or conditions influence the most in the international performance of firms from emerging economies since in recent years, many of these companies rely on embarking on new enterprises in foreign markets. In this context, Singh (2009) pointed out the limited research of what determines international competitiveness and (as others authors mentioned above) that most of the work is based on firms coming from developed economy contexts. She concludes emphasizing that given the changing nature of global trade, and increasing reliance of emerging economies on internationalizing to reach global markets, it is important to conduct investigation in emerging economies, taking into account the unique characteristics of the external environment in theoretical development.

There are some distinguishing aspects that define firms from emerging economies and help to build capabilities to succeed in international markets. That certain factors, conditions or key antecedents can help facilitate or inhibit the development of a firms' international market oriented behavior. We will explore these features through the literature review and we will get separately understanding in the further paragraphs. The different characteristics of firm from emerging economies are summarized in the following list:

1. Employee mobility
2. Entrepreneurs
3. Networks
4. Firm size

5. The role of the institutions
6. Business group affiliations or family control
7. Innovation performance

1. Employee mobility

In the worldwide economy, international business plays an important part as it has influenced over a main part of global commercial activities. The dynamic and international economy and the interactions across national borders have affected all aspects of the daily activities worldwide (Cheng & Lin, 2009) which forces companies to adapt to this new business environment. In order to overcome these circumstances, some firms often allocate expatriate managers, as corporate representatives and ambassadors, to connect with international markets (Yavas & Bodur, 1999). Employee mobility may be an important new way for international knowledge, skills and experience (Görg & Strobl, 2005) across national borders and between firms.

So, due to the global uncertainty, firms from emerging economies attempt to initiate monitoring host country environments heavily through their expatriates. Many scholars have emphasized the importance of deploying competent and good expatriates to establish a global competitive advantage (O` Donell, 2000), to contribute to firms' performance abroad (Jaw & Liu, 2004) and to success overseas (Mol, Born, Willemsen & Van der Molen, 2005).

The selection process of good expatriate staffing must be a priority (Mol, Born, Willensen & Van der Molen, 2005) because largely contributes to their overseas performance and success as mentioned before. Selecting takes precedence as well, because firms from emerging economies are at a resource disadvantage compared to larger firms and may be not able to invest in the hiring and training of international personnel (Golhar & Deshpande, 1997). To overcome these hurdles, firms from emerging economies normally pick their expatriate management among their current employees. Hornsby and Kurato (1990) also suggested that selecting a quality workforce is the most important human resource management task to easily perform.

Cheng and Lin (2009) found out that personal abilities have a dominant influence on overseas performance, especially those directly related to work. Their findings also reveal

that overseas operations may be good places to develop competent professional managers who may not have exemplary track records but do have significant potential and lofty aspirations. In summary, their study empirically demonstrates the relationship between job-related expatriate selection criteria at personal level and the overseas performance of Transnational Small and Medium Enterprises (TSMEs).

2. Entrepreneurs

In recent years several emerging economies have gone through a process of institutional transition with the objective of unleashing the entrepreneurial potential of local entrepreneurs (Gaur & Kumar, 2009; Singh & Gaur, 2009). In their case of study, Liu et al., (2008), held that entrepreneurs play a very important role in firm internationalization. These ones decide whether or not to enter foreign markets. The entrepreneur's education, functional expertise and past track records of success and failure can significantly influence risks calculation and hence might determine how entrepreneurs define and evaluate opportunities in international markets. In their findings, they noticed that, the internationalization process was closely linked with the special entrepreneurship possessed by the founders of the firms. This unique phenomenon provides a powerful explanation of the unique characteristics of the internationalization activities.

McDougal, Shane, and Oviatt (1994) argued as well, that pre-firm experience of an entrepreneur is vital. Business persons are alert to the possibilities of combining resources from different national markets because of their competencies (networks, knowledge and background) develop from their previous activities. Ellis (2011) defended as well the importance of entrepreneurships to perceive, evaluate and exploit international opportunities. In foreign markets, constraints always appear and to overcome these barriers an act of entrepreneurship is required.

Yet extant research also noted that ambitious entrepreneurs in emerging economies confront important institutional burdens in bringing their start-up endeavors to fruition (Bruton & Rubanik, 2002; Lau & Busenitz, 2001; Tan, 2002). Institutional burdens are obstacles derived from underdeveloped or absent institutional structures, which can obstruct hopeful

entrepreneurs from exploiting new business opportunities fully (Baker, Gedajlovic & Lubatkin, 2005; Peng, 2003).

3. Networks

Networks have in recent years been increasingly regarded as an important type of resource required for internationalization (Liu et al., 2008). The relationships of a firm can be used as bridges to other networks and can help the firm in getting inside networks in foreign countries. Such bridges can be important both in the initial steps abroad and in the subsequent entry of new markets (Johanson & Vahlne, 1990). More importantly, these last researchers were aware that personal relationships and networks are especially important in turbulent high-technology industries (Laage-Hellman, 1989). They noticed that some small high-tech firms go directly to more distant markets and set up their own subsidiaries more rapidly (rather than follow the traditional pattern of internationalization) partly because the entrepreneurs behind these companies have networks of colleagues dealing with the new technology (Lindqvist, 1988).

These personal and social associations are common in dynamic and evolving environments like the ones from emerging countries. Social ties can play a critical role in helping entrepreneurs and may explain business activities across emerging economies. These links may help to make better sense of their complex environments and overcome problems associated with inadequate local resources and infrastructure (Baker et al., 2005; Peng & Heath, 1996). Therefore, entrepreneurs participate in social networks to cope with these institutional burdens (Ács & Stough, 2008; McMillan & Woodruff, 2002; Peng, 2000). In emerging countries, networking plays an important role in entrepreneurs' ability to deal with the uncertainty of doing business when confronted with challenging institutional conditions (Peng, 2003).

Other authors (Burt, 1997; Miguel, Gertler, & Levine, 2005; Peng & Luo, 2000) remarked as well the important role of associational memberships and how they may help to mobilize resources to start new business and gain access to suppliers, customer and investors. So, we can say that when engaging in networking, their goal is to learn about others', find better ways to make business abroad and improve organizational performance.

The propensity to participate in voluntary associations (Knack & Keefer, 1997) is one aspect of networking behavior which is an instrument for increasing countries' entrepreneurial output through the facilitation of knowledge and resource exchange (Dakhli & De Clercq, 2004) such as financial and market information.

Voluntary linkages play a paramount and instrumental role in emerging countries. For instance, De Clercq et al. (2010) acknowledged that entrepreneurs from emerging economies seem to rely more heavily on their social relationships with others to establish new business. These social and business networks remain essentially domestic and are based on trust and credibility (Ellis, 2011).

The problem comes when going international, firms from developing economies might confront more barriers and challenges due to lack of complementary resources for their global goals (Lyles et al., 2004). However, there are contrary opinions, and in their study, Liu et al. (2008) concluded that one important implication for business managers is that there is no need to wait until business networks are established and experimental knowledge about foreign markets and operations is obtained to expand internationally.

4. Firm size

Firm size is one of the basic factors affecting the internationalization performance, but there is still much controversy about it. Some authors such as Majocchi et al., (2005), found a positive relationship between firm size and internationalization performance while others as Patibandla (1995) found a negative relationship. Meanwhile, Bonaccorsi (1992) for instance, reported that firm size has no or very little impact on international activities. Finally, their small size compared to developed market firms which tend to be a relative resource disadvantage (Singh, 2009) because these firms normally are still growing in the domestic market.

One of the main causes about the problematic of firm size is due to the contexts where the findings of these authors were applied: advanced economies. There are a few exceptions, but mainly, research is based on firms from developed countries. It is argued the substantial differences in terms of nature and characteristics of firms and business environment therein (Khanna & Rivkin, 2001). Thus, the generalization of these findings

should be put on stand-by until more study is carried out in the context of emerging economies.

5. The role of institutions

The increased participation of developing economies into the global economy has changed the competitive landscape, thus, necessitating organizational transformations to deal with the new competitive dynamics. A market- supporting institutional environment in the host country eases market access, for instance by facilitating access to distribution channels and by preventing opportunistic or unethical behaviors. In this complex process of liberalization and integrations, supra- national bodies such as The World Trade Organization (WTO), International Monetary Fund (IMF) and The World Bank have been instrumental to facilitate international trade and financial transactions (Madura & Fox, 2011). This indicates that institutional organizations may help firms in emerging economies to cope with the transitioning institutional environment better (Aulakh & Kotabe, 2008).

The findings from Gao et al. (2010) suggested that institutional environments in emerging economies are strongly associated with internationalization behaviors which differ drastically from those in developed countries (Shenkar, 2005). Along the same line, Peng (2003) defended that the role of institutions is more salient in emerging economies because the rules are being fundamentally and comprehensively changed, and the scope and pace of institutional transitions are unprecedented. In the same vein, the results from Wan (2005) confirmed that the institutional environment can be regarded as a resource environment that provides firms with possibilities for performing business activities abroad. Therefore, it is of crucial value to incorporate institutional variables to examine firm strategy and behaviors in emerging economies (Hoskisson et al., 2000; Peng et al., 2008; Wright et al., 2005).

The institutional framework is particularly important for business strategies in emerging economies (Luo & Peng, 1999; Meyer & Peng, 2005; Wright et al., 2005). In their study, Estrin et al. (2008) proposed that the decision to go abroad is associated with the nature of the local environment. Or in other words, they found that the local environment is vital for explaining these behaviors in emerging economies. For instance, recent work shows that

ownership and governance structures have an important influence on international intensity (Filatotchev et al., 2001, 2008).

Institutions exhibit significant legitimacy pressures for firms and directly affect firms' strategic choices and performance consequences (Hoskisson, Eden, Lau & Wright, 2000; Peng, 2003; Peng et al., 2008; Wright et al., 2005). Moreover, institutions determine directly how firms formulate and implement strategy that creates competitive advantage (Ingram & Silverman, 2002; Peng et al., 2008), in other words, they significantly shape and drive firms' strategy and behaviors in emerging economies. Due to this high influence and power of institutions, firms can confront severe institutional difficulties because of government control, the imperfection of the market mechanisms (Nee, 1992) and preferential treatments with government officials, when it comes time to internationalize.

Resources of potential value in international competition are often embedded in existing organizations, as well the local context, especially if they involve human capital (Anand & Delios, 2002; Meyer & Peng, 2005). Efficient institutions are as well a form of locational advantage that helps attract foreign investment (Dunning & Lundan, 2008). Along that same line, trade liberalization policies would help attract investors. Foreign affiliates seek better opportunities for growth by developing their local market position.

6. Business group affiliations or family control

The significance of business groups is really important in the socio-economic landscape of developing economies for authors such as Strachen (1976), Amsden (1989) and Keister (1998). Following other important authors (Khanna & Rivking, 2001, p.47), business groups are defined as "a set of legally independent firms which are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated action". These last researchers defend that, in response to strategic factor market imperfections in developing economies, business groups appear. However, to enter new markets quickly and effectively is necessary to acquire and possess resources and capabilities in order to create these business groups (Guillén, 2000). Moreover, Yiu et al. (2005) pointed out that the value created by business varied depending on the type of resources and capabilities. Their study also found that business groups that had sought to

develop new capabilities through acquisitions, internal development, or international diversification showed better performance.

Family members actively participate in the management of SMEs companies and they will be cautious about internationalization because they are aware of the fact that managing business abroad may require skills that they do not possess (Zahra, 2003). Family-owned companies are easier to manage, less costly and more flexible (Bhaumik et al., 2010). In short, family control is potentially a resource that a firm can influence to foster competitiveness and accomplish strategic goals such as entering new markets.

Nonetheless, Gallo and Sveen (1991) discussed that transferring to a new context the culture and business models of family firms may be difficult. Many resources are needed such as outward FDI, skills or be willing to transfer family power. Thus, family firms may tend to be reluctant to internationalize.

7. Innovation performance

The technological level of a country explains, among other factors, the economical success. Examples of firms from emerging economies investing intensively in innovation are China in the electronic industry and India in the software industry. Although, the world's total innovation performance is now undertaken and getting more significant than ever in emerging economies (World Investment Report, 2005), allowing those to achieve positional advantages and better economic results (Furman, Porter, & Stern, 2002). There is not much investigation regarding the factors that may enable firms that operate in such countries to enhance their innovation performance. However, there are three main determinants, international trade, foreign direct investment (FDI) and industrial R&D, which excel in the relationship with innovation performance.

Firstly, international trade may make possible technology creation and dissemination. Participation in international markets has many benefits for firms from emerging economies. It allows companies to explore new technologies and increase organization learning by analyzing the innovations of their foreign competitors (MacGarvie, 2006) or by developing new ways of manufacturing processes (Grossman & Helpman, 1991). It gives access to

knowledge, ideas and information (Salomon & Shaver, 2005). Moreover, the higher exposure to a more intense and foreign competition may enhance innovation performance (Kokko, 1996). The findings of Wang and Kafouros (2009) pointed out that international trade also enhance performance by enabling companies to adopt new technologies, interact with international clients and absorb foreign knowledge.

Secondly, innovation performance is influenced by FDI because of the multiple interactions among emerging and foreign developed economies. The movements of skilled staff, technological imitation, skills acquisition, demonstration effect, backward linkages (Blomstrom & Kokko, 1998; Görg & Greenaway, 2002) and the cooperation from foreign investors may support the innovative activities (Blomstrom & Kokko, 1998; Kennel, 2007). Furthermore, governments in emerging economies such as China, Brazil, India and Russia provide foreign firms a number of stimuli to encourage and promote the investment such as tax holidays, low tariff and preferential access to the local pool of labor (Liu et al., 2010). Bhaumik et al. (2010) found out that FDI is facilitated when firms from emerging economies develop strategic relationships with foreign investors.

Finally, the third innovation performance driver involves the role of industrial R&D defined as the R&D spending level. It enables firm to create internal knowledge (Feinberg & Majumdar, 2001) with the final purpose of developing and introducing new products or services to the market, reducing costs, pricing more competitively, increasing revenues, improving performance (Kafouros, 2008a, 2008b) and acquiring new technologies (Hsu & Chen, 2000).

Human mobility (see above) and inter-firm employee mobility are other factors which also promote innovation performance (Liu et al., 2010). People involve in the organization are playing an increasingly central role in enhancing innovation (Marvel & Lumpkin, 2007) and in today's integrated world economy. This is particular important for firms in emerging economies filling in this gap with technological leaders from developed nations.

Firms from emerging economies embrace these technologies because of their need to adapt products and processes for foreign markets (Kumar & Aggarwal, 2005) and to integrate themselves into the global economy (Lou & Tung, 2007). The outcomes from Wang and Kafouros (2009) suggested that many manufacturing industries in emerging economies,

may shift over time from an 'imitation' strategy to a 'R&D and technological' strategy based on their own efforts.

6. Research method

The main research question was finding the primary key antecedents or success factors (KSF) of the internationalization process of firms from emerging economies. Particularly, the goal of my study was finding the influence of those key antecedents in the internationalization process of firms from emerging economies, discovering other important factors which could be 'hidden' or 'missing' in the literature review and understanding deeply the role of some Belgian organizations.

In order to get deeper knowledge and have first-hand information about it, I carried out an exploratory research. Many relevant organizations in the context of internationalization in Belgium were examined and I made contact with them (see Appendices). If a positive answer was received from these institutions, I started a deeper investigation.

The data of interest was collected in different ways. Firstly, from the websites where the mission, goals and services offered were explained (secondary data). Secondly, I conducted five deep interviews with professionals of those organizations (primary data). Thirdly, I used extra information (annual reports, official brochures or other significant contacts) provided by the interviewees to complete the information I already had.

These expert interviews took place from June to August, 2013 in Belgium. These conversations were recorded for later transcriptions and took from 45 to 90 minutes duration. The people interviewed were the following:

- Mr. Theo Vaes, partner and founder manager of Antwerp Business Center (ABC) (Appendix 2)
- Mrs. Cathérine Dreesen, member of international trade department at Voka-Flanders' Chamber of Commerce and Industry (Appendix 3)
- Mr. Rose Yang, Deputy Representative of China Council for the Promotion of International Trade (CCPIT) (Appendix 4)

- Mr. Koen Vanheusden, Director in Human Resources Service and Regulations Services at the Belgian Foreign Trade Agency (BFTA) (Appendix 5)
- Mr. Bernard Dewit and Mrs. Xiaoxia Shen, Chairman of the Belgian- Chinese Chamber of Commerce (BCECC) and China Desk Manager at Lewit's Law Office respectively (Appendix 6)

In my study, I specifically focused on the role played of these institutions with firms from emerging economies. I concentrated as well on their professional opinions and experiences during their careers, key antecedents and barriers of firms from emerging economies.

Thus, in the following pages, we will comprehend better and construct a better idea about the role that some institutions have. Some practical examples will be shown of particular intermediary organizations which support and improve the internationalization process of emerging economies. Or in simple words, I will try to illustrate the important role of institutions have to connect firms from developing economies with the entire world.

7. Case studies

Recent discussion of internationalization admits the role of institutions in determining the extent and nature of internationalization. With this in mind and recognizing the role of institutions as one of the influential variables when internationalizing, I will try to explore and analyze it in detail.

As mentioned previously, the cases relate to how some Belgian organizations may facilitate the development and generation of new resources and capabilities that contribute to the success of firms from emerging economies. As well, I will learn from experts their experiences and opinions when companies from emerging economies are trying to internationalize.

7.1. Case 1: Antwerp Business Center (ABC)

In 1989, Antwerp Business Center (Appendix 2) was established by Theo Vaes and Guy Nuytemans in Antwerp (Belgium). Originally Mr. Vaes and Mr. Nuytemans wanted to make a services company that provided outsourcing services to foreign companies because as a foreign company there are a lot of things to learn in a new market.

Mr. Vaes has travelled around the world to discover, import and implement the best practices in the business model. It is a nonstop process of innovation and improvements which is part of ABC's culture and main values: respect, diversity and transparency. ABC's slogan is 'Connect businesses with new markets'.

ABC assists companies from all over the world: US, Korea, Japan, Brazil, India or China. ABC's goal is to provide these services and help those foreign firms to enter into the European market. Through Flemish experts in the different fields of management, finance and market research, ABC advises the best strategic option and provides the support, guide, business experience, professional networks, services, expertise infrastructure and reputation to their clients.

After a five- year plan of restructuration, the services of ABC notably expanded and ABC was now able engage anything which was not part of a business's core activities. ABC

has all services that a company need as long as is a peripheral activity for that company which are provided by expert teams of people in different fields (investments, legal, finance and economics, tax regulations, international business or marketing for instance). ABC's workers are highly trained, multilingual and they deliver services in a flexible way for several companies (one team worker can work for different companies).

The three main services provided by ABC are firstly marketing support. Secondly, ABC identifies optimal locations and facilitates the entrance in Europe for foreign firms. Thirdly and finally ABC offers business assistance with merger and acquisitions (M & A).

ABC initiated a China strategy in 2005 with an emphatic success and years later, ABC was acknowledge as the Flemish service and strategic business center for foreign companies in Antwerp. ABC continued to concentrate itself on serving the interests of Chinese enterprises.

The rate of success of ABC is overwhelming: in 2011 one third of all Chinese entrepreneurs and companies in Belgium had chosen ABC as the strategic base to do business in Belgium and Europe. In the same period, ABC Services was created for Chinese companies doing business in Europe. ABC Services is a business platform specialized in mergers and acquisitions, and it is also able to provide Chinese companies with the best infrastructure, other financial services and market research.

Highlights of the interview

From the interview with Mr. Vaes in the headquarters of ABC on the 7th of June, 2013 in Antwerp some important information regarding to internationalization process and emerging markets was extracted. This information is summarized in the following two sections.

1. About internationalization process

- There is sort of rank order of companies that go international.
- Understanding cultural and business differences is really important.
- Being ready is essential to success.
- Some companies send managers and workers to learn and understand new markets.
- Communications, technologies, the boom of the Internet, easier regulations and uniform markets have eased small companies participating in international trade.
- Competition is intense in international markets.

1. About emerging markets:

- There is a tendency of companies from developing economies to come themselves to developed economies.
- Firms from emerging economies come with the wrong mindset.
- Some of these companies rely heavily on the family.
- For firms from emerging economies, cultural differences are a challenge.
- The personal interest of the entrepreneur influences when going international.
- In China for example, social networks are really appreciated and members share information and answers freely.
- Belgian government has made a lot of effort to translate rules and regulations.
- Bribing or buying favors or people are normal situations in emerging economies.

7.2. Case 2: Voka- Chamber of Commerce and Industry

In January 2004, Voka (Appendix 3) was established between the union of the Flemish Economic Association (“*Vlaams Economisch Verbond- VEV*”) and the eight Regional Chambers of Commerce in Flanders (Voka- Kamers). Voka is part as well of the Federation of Chambers of Commerce and Industry of Belgium, Eurochambers, International Chambers of Commerce/ World Chamber Federation and Euregio Chambers of Commerce (Aachen, Liège/Verviers/Namur, Maastricht, Eupen, Hasselt). Moreover, Voka - Comité Brussel was created for the Flemish companies located in Brussels. Since the year 2008, Voka cooperates with 29 sector associations, which empowers the area of employers' institutions even more.

Principally, Voka- VEV's mission is to be the closest and most significant professional network for Limburg entrepreneurs and the member companies. Voka is the most illustrative official organization of Flemish and Limburg companies and the main employer organization in Belgium. This powerful position allows Voka to negotiate and to be heard by the Flemish government and by other national and international organizations.

Voka - VEV's primary activities are the determination of position, lobbying and coordination of projects on the Flemish level. While the Voka – Limburg Chamber of Commerce and Industry concentrate on world- class expertise lobbying, networking and providing a complete and solid service towards the Limburg entrepreneurs and firms.

Voka lobbies in order to protect primarily the interests of the member- companies. Voka adopts positions based on personal contacts with managers. Voka's message is broadly communicated to the members and other people of interest by means of the media, politicians, governments, other civil society organizations and public opinion.

Voka's networking helps companies obtain the knowledge and skills to stimulate the businesses. Voka organizes as well events to interact, converse and share experiences and knowledge with business people, politicians, Embassies, foreign delegations and Chambers within and outside the region. For instance, the International Business Week, the International CEO's meeting, “The world meets Limburg” or '*Onderneming & Politiek*' (Enterprise & Politics).

Voka offers different services. Voka promotes bright, talented and young start-ups entrepreneurs (“*Voka - VEV – Jongeren*”, “Smart Grids Flanders” or Bryo). Voka organizes trainings based on the needs of the members and on important current situations. Voka also gives support services such as first- line consultancy. The top questions answered were about customs and VAT, market information, national legislation in EU countries, addresses of potential partner and/or customers and internationalization. Foreign companies mainly use Voka’s database and address service to have a better sight of Belgian market. Voka arranges as well conference room facilities available to companies, obtain addresses directories through a database and holds a project for supporting sustainable and green policies and structures towards companies.

Voka is the most illustrative employers' organization in Flanders. In 1860 Voka counted with 2 950 members. Nowadays, Voka supports and stimulates more than 18 000 companies in Flanders and Brussels. At present, there are more than 300 foreign firms with subsidiaries in Limburg and the number persists to grow. Companies of the wide world are coming to Limburg and are positive of the benefits of locating within the region.

Highlights of the interview

On the 18th of July, 2013 Mrs. Cathérine Dreesen welcomed me in Voka main office in Hasselt. During our interview, more important data (Appendix 3) was provided which is included in the above paragraphs and other principal points about Voka and about the internationalization process are summarized next.

Firstly, Voka as a Chamber of Commerce has supporting and attracting role for investors. Moreover, Voka has invested in network with national and foreign companies. As a consequence, more and more companies from abroad are starting to become a member from Limburg’s Chamber of Commerce. Specifically, the international trade department of Voka, where Mrs. Dreesen works, gives advice and does all kind of activities around importing and exporting goods but also attracting investments as commented before.

Secondly, from the personal experiences and knowledge of Mrs. Dreesen, she stated that one factor that might influence for those emerging market companies to come is the spirit and ambition of the entrepreneur. She mentioned as well that communication and good

personal and business interactions are really important for the success of any long term relationship.

7.3. Case 3: The China Council for the Promotion of International Trade (CCPIT)

The China Council for the Promotion of International Trade (Appendix 4) was established in May 1952. With the authorization of the Chinese government, the CCPIT started to assume a separate name – China Chamber of International Commerce (CCOIC) - in 1988, which is used simultaneously with the CCPIT. The current Chairman is Mr. Wan Jifei.

CCPIT is composed of VIPS, enterprises and associations representing the economic and trade sectors in China. It is the most significant and greatest organization for the promotion of foreign trade in China. The CCPIT allows new members from among enterprises in all parts of China, and promotes commerce through services as information consultation, exhibition, legal assistance, etc. The main services offered by CCPIT are:

- CCPIT Patent and Trademark
- Provincial sub-councils (i.e. Beijing, Heilongjiang, Hangzhou...)
- Industrial sub- councils (i.e. Agriculture, machinery, commerce, supplies & marketing cooperation, logistics...)
- Country- level Branches
- Exhibitions (China International Exhibition Center Group Corporation, CIEC)
- China Maritime Arbitration Commission (CMAC)
- China International Economic and Trade Arbitration Commission (CIETAC)
- Department of Legal Affairs (DLA)

The goals of the CCPIT are to manage and support foreign trade, to exploit foreign investment, to launch advanced foreign technologies, to guide activities of Sino-foreign economic and technological cooperation in different forms (Sino- Foreign cooperation occurs between a Chinese and a foreign company within the territory of China), to encourage the development of economic and business relations between China and other nations and regions around the globe, and finally, to promote the shared understanding and friendship between China and peoples and economic and business groups of all countries around the world.

In 2010, CCPIT organized, participated and co-sponsored numerous events in the area of internationalization. CCPIT took proactive measures, focused on supporting Chinese enterprises to explore new international markets and promoted internationalization development. CCPIT provided Chinese enterprises investing abroad with the professional services and economic information. The aims were to promote stable and relatively rapid development, to encourage prosperity and growth of China and Chinese firms, and to attract global attention. Since the reform and opening-up, China became a key competitive force for world economic development and is playing more and more significant prominence in global affairs.

These events (mentioned previously) were: Expo 2010 Shanghai China, the 6th China Expo Forum for International Cooperation (CEFCO 2010), Sweden- China Business Cooperation and Innovation Forum, 2010 China (Dali) International Low- Carbon Technology Summit, The 4th Chinese Enterprises Outbound Investment Conference, UNESCAP Asia-Pacific Business Forum 2010, The 2nd Business Summit of Korea- Japan- China, The 5th China- South Asia Business Forum, 2010 Training Course for Senior Officials of CCPIT Sub-councils, Ukraine- China Business Cooperation Forum, World Export Development Forum 2010, India- China Business Cooperation Summit and Pakistan- China, Business Cooperation Summit, The 6th EU- China Business Summit, The 7th China- ASEAN Business and Investment Summit, The 4th China- Latin America Business Summit, Signing Commercial Legal Affairs and Arbitration Service, Cooperation Arrangement with Department of Justice of Hong Kong, UK- China Business Summit, China International Fair for Trade in Services, China International Creative Design Week and APEC CEO Summit 2010.

Through the organization of main exhibitions, the high degree of internationalization of themselves, and, the efforts and progress of the services, CCPIT achieved extraordinary outputs for China but especially for Chinese enterprises, summarized as following:

- Platform for strengthening dialogue and enhancing communication among nations
- Promote mutual understanding through sharing ideas and experiences shared
- Develop and strengthen diplomatic relations
- Development and support of private enterprises for key industries
- Incubate and promote international, economic and trade cooperation with all nations
- Deepen innovation, training and a fair business environment
- Provide more effective and practical services for enterprises

- Contribute to the further development of bilateral economic and trade relations.
- Creation and grasp new business opportunities
- Preparation for new international competition
- Willingness to work together
- Draft, develop and promote the development towards a green and sustainable international economy
- Promote the development of a low- carbon industry
- Help and encourage outbound investment
- Solve questions to overcome risks and challenges
- Publicize and promote China and Chinese firms
- Stimulate collaboration among enterprises
- Promote mutually beneficial operations and relations with other emerging countries
- Forge more extensive, deeper and closer economic and trade ties with EU countries
- Develop and provide international commercial legal service and participate in national legislation
- Help enterprises from China and other countries to expand market and search for international cooperation partners
- Platforms for discussion among entrepreneurs and government officials
- Development of emerging markets in Asia due to the big influence on the region and the world
- Personal exchanges to build and consolidate relations
- Consolidate the traditional market and stabilize export to developed countries
- Make, implement and promote overseas exhibition
- Play a public service function
- Coordination and planning domestic and overseas training programs

After writing the above information, Mrs. Rose Yan suggested to better talk with them in the office in Brussels. I assisted to that interview with Mrs. Rose Yan on the 7th of August, 2013. I summarized the most important information about CCPIT and about the internationalization process for firms from emerging economies in the next pages.

Highlights of the interview

1. About CCPIT:

- The role of CCPIT has a breaking point on the boom of the Internet.
- CCPIT provides the chance to contact with the business community of the local area in collaboration with the Chamber of Commerce or other trade and promotion organizations.
- CCPIT works with partners worldwide and collaborates in both directions: it helps companies from China to come to Belgium, and vice versa.
- CCPIT can just provide general information but can recommend specialists and professionals to companies. In the case of problems or disputes, CCPIT also can provide some law services through CCPIT law office or the China International Economic and Trade Arbitration Commission.

2. About internationalization:

- Internationalizing a company includes the internationalization in terms of production, marketing, management and resources.
- In the internationalization process companies from China might face some barriers when coming into Belgium such as work permits, language, integration, mentality, salaries and social insurances.
- In Belgium, the system of bribery and corruption does not work.
- The competitiveness of Chinese companies has improved over the years.
- The Chinese government, the Belgian government and other bureaus help, promote and welcome Chinese companies.

7.4. Case 4: The Belgian Foreign Trade Agency (BFTA)

The Belgian Foreign Trade Agency (Appendix 5) supports the three regions (Flemish region, Walloon region and Brussels capital region) and the Federal Public Service Foreign Affairs in promoting foreign trade. The BFTA has a strong reputation as a trustworthy partner for the development of international trade. The slogan of BFTA states 'Together towards new markets'.

The three main duties of the Belgian Foreign Trade Agency are the following:

- deciding on and arranging trade missions linked to an initiative by one or several of the Regions or at the request of the Federal Government
- organizing, developing and transmitting information, databases, studies, documentation, memos and statistics about national and international markets, regional services, world trade and Belgium's foreign trade
- other activities of common interest decided consensually by the Board of Directors

The Belgian Foreign Trade Agency has obtained great experience in various aspects of international trade. This organization provides and contributes in international forums and platforms such as the International Chamber of Commerce (ICC) and the World Customs Organization (WCO) where federal expertise in international policy and regional expertise in international trade join forces.

The Belgian Foreign Trade Agency coordinates as well closely with the Wallonia Foreign Trade and Investment (AWEX, *Agence Wallone à l'Exportation et aux Investissements Étrangers*), Brussels Invest & Export (BIE), Flanders Investment and Trade (FIT) and the Federal Public Service Foreign Affairs joint economic missions presided over by HM Philippe. These missions focus on foreign economic growth of regions and countries. Belgian business emissaries can establish high-level contacts with principal foreign players, organizations and public bodies during these delegations.

Finally, due to the complexity of international trade, the Legal Department of the Belgian Foreign Trade Agency together with the regional institutions, offers advice and answers to various questions about trade regulations, legislations, purchasing contracts, delivery terms and conditions, standardization, tax obligations or payment technologies.

Mr. Koen Vanheusden is Director in Human Resources Service and Regulations Services at the Belgian Foreign Trade Agency (BFTA). He welcomed me on the 23rd of July, 2013 in the BFTA in Brussels. Hereby are summarized the main points during our talk.

Highlights of the interview

1. About BFTA:

- BFTA is a back-up office, created by the three regions and the federal authority to give certain support. BFTA officially tries to support Belgian companies and exports as much as possible.
- BFTA has the experience and knowledge about how to finance operations, how to set up a business or about legal assistance as the promotion of international trade.
- Development organizations or local companies in developing countries, mainly in Africa, ask BFTA assistance from time to time. Most of the experience BFTA has from people from developing countries trying to set up something as a vehicle to obtain a work permit or a residence permit.
- There are some important organizations forming people and passing knowledge locally. BFTA passes information and trains people as well. Moreover, BFTA tries to direct people towards available financial support.

2. About internationalization

- Firms from emerging economies are totally not familiar with several controls on administration.
- Firms should grow independent before internationalize.
- International transparency is a delicate issue and administrations need much civil control over activities.
- The best motors of success in a global economy are honest competition, cheap access to money, competent administrations, information, knowledge and willingness.
- There are always some levels of corruption.
- Belgian government is not protectionist.

7.5. Case 5: The Belgian-Chinese Chamber of Commerce (BCECC)

The Belgian-Chinese Chamber of Commerce (Appendix 6) is the most important Belgian business association for companies engaged in doing business in or with China. Although BCECC works mainly with China is also engaged in projects with other countries. BCECC was founded in the 1980s and the current office is set in Brussels. The actual chairman is Mr. Bernard Dewit.

The BCECC was granted the status of Accredited Chamber of the Federation of Belgian Chambers of Commerce and the Chamber of Commerce of Grand Duchy of Luxembourg for the period 2013-2015.

The BCECC goals are to contribute to the growth of commercial, industrial, scientific and financial cooperation between Belgium and China. These aims are met through:

- the swap of information
- the expansion of contacts between Belgian and Chinese enterprises with the use of meetings, exhibitions and exchange of delegations
- the development of contacts between Belgian and Chinese trade and economy related government institution

Some of the main functions of the BCECC are arranging many diverse China- related events by means of seminars, workshops, trainings, symposiums, conferences, meetings, company visits or networking lunches and barbeques for Belgian and Chinese companies to support them in finding opportunities and a way into the Chinese and Belgian market. The BCECC is also more and more committed in offering assistance to Belgian companies, particularly SMEs, interested in attending European-Chinese matchmaking events and trade fairs in China. Furthermore, the BCECC also supports and connects the members with referrals, business matching and identification of experienced partners in both Belgium and China.

The BCECC arranges as well for the members the possibility to advertise them and their services. BCECC offers dynamic and effective tools trough the website and newsletter

to directly target the pertinent audience. The BECC's quarterly newsletter includes information on past activities of the Chamber, on future opportunities, and on trade and investment related concerns written by Chinese and Belgian officials. This newsletter is mailed out to the more of 650 BCECC members and a list of 500 top-level government officials in Belgium and China, including embassies and consulates, trade related ministries such as the Chinese Ministry of Commerce, CCPIT, Belgian's Ministry of Foreign Affairs and regional trade offices. In addition to the last mentioned, some other services provided by BCECC are accountants, lawyers, interpreters or marketing specialists.

Finally, BCECC has an office in Cheng Du in the Western part of China. The purpose of this bureau is to help some Belgian companies to go to the Western part of China and also to attract some companies of the Western of China to Belgium.

Mr. Bernard Dewit, Chairman of BCECC invited me for a talk on the 7th of August, 2013 in Brussels. The most significant information of this conversation is reviewed in the following pages.

Highlights of the interview

- There are a certain number of organizations in the public sector in Europe which are helping attractive foreign companies to come in.
- In Belgium, it works in three levels: provincial, regional (Flemish region, Walloon region and Brussels capital region) and federal. Sometimes, cities are doing some efforts to attract foreign investment as well.
- A foreign company can establish itself easily by creating a company or taking over an existing company. When acquiring a new company, a detail study must be done about the company. Sometimes BRICS countries ignore that.
- The Chinese government is pushing Chinese companies to go abroad.
- Public sector is limited and companies internationalizing will eventually need to hire private professionals in the host country.

- Preparedness and adaptation are essential to success internationally.
- It is dangerous to rely in some social networks and family.
- Companies internationalizing need a good interpreter.
- Some big companies might play a leading role and attract smaller companies to developed countries.
- A problem especially with China is mentality, language and the expectation that services are free.
- Some other challenges that firms from emerging economies might face are language, stay permits, hire local people, higher salaries and social security
- Chinese are strong negotiators which is a competitive advantage when internationalizing.

8. Discussion and conclusion

8.1. Discussion

Emerging economies are playing an important role and are expanding rapidly into in the global economy. Nowadays, there are more and more companies eager to internationalize. The current literature shows a lack of evidence about the process of internationalization of firms from emerging economies for authors such as Tsang (2001), Singh (2009) or Mathews (2013).

My results make a contribution to understanding this process of internationalization of firms from emerging economies. In my study, the importance of some variables was reaffirmed and new others were discovered which should be included for future research. As well we got deeply understanding about the role of some institutions. As Peng et al. (2008) stated, internationalization acknowledges the role of institutions in determining the extent and nature of internationalization. Furthermore, some obstacles for these firms from emerging economies are discussed. Finally, management advice is given for organizations with similar role as ABC, Voka, BFTA, CCPIT or BCECC and for future companies from developed and developed economies trying to internationalize.

Nowadays, the process of internationalization seems to be easier for firms of emerging economies thanks to the Internet, the new communications and technologies. The internationalization process of firms from emerging economies has many favorable outputs for the companies and can create a competitive advantage against their competitors. For instance, firms acquire and have access to strategic resources (knowledge, skills and technologies). Additionally, firms are exposed to best practices which facilitate learning opportunities. Moreover, companies also have access to markets and consequently, their market share and power increase.

Next, the influence of some variables in the process of internationalization is confirmed. They are now discussed. First, some companies send managers and workers to learn and understand new international markets. So, the best practices of international markets can be acquired and transfer in developing economies. Thus, as Görg and Strobl (2005) stated,

employee mobility may be an important new way for international knowledge, skills and experience.

Secondly, Liu et al., (2008), held that entrepreneurs play a very important role in firm internationalization. During my interviews, some of the experts (Mr. Vaes and Mrs. Dreesen) confirmed that the personal interest, ambition and spirit of the entrepreneur influence when going international. If a manager lacks of international vision, probably it would stay safely in the home market. Hence, the management team and the head of the company must have the international entrepreneur vision. Also, this team needs to understand and have deep knowledge of the local culture, the people, the laws, the working style or habits. However, perceptions and decisions of business executives is usually neglected (Grunert & Ellegaard, 1992).

Third, some of the experts (Mr. Vaes and Mrs. Yan) interviewed agreed as well about the importance of social networks and family groups, above all, in China. Networking may be used as a way to get into another networks and countries in first steps of internationalization across emerging economies (Liu et al., 2008; Johanson & Vahlne, 1990). These relationships are really appreciated and their members share information and answers freely. Some of these companies rely heavily on their siblings and friends in their projects. Sometimes, they send a relative to new markets to learn and to make the mistakes too. As Ellis (2011) stated these relationships rely on trust and credibility. However, it is hazardous to rely in some social networks and family due to their lack of professionalism and due to the ins and outs of the business family model.

Fourth, there is a sequence of companies going international. In the first phase of internationalization expansion the huge companies will come. Some big companies might play a leading role and attract smaller companies to developed countries. In the second stage, large companies will follow, and eventually small and medium size companies. So, being last might be a relative disadvantage (Singh, 2009) for small size firms from emerging economies compared to developed market firms. However, there is still much debate and research to carry out in this point.

Fifth, the important role of institutions and governments is confirmed. The findings of Aulakh and Kotabe (2008) set that institutional organizations may help firms in emerging economies to cope better with competition and international markets. Networking with other organizations and governments is more and more usual.

In my study I found out that the Belgian government is not protectionist at all and usually weak countries are the ones grabbing protectionist rules. Besides, the Belgian and European government have made a lot of effort at translating rules and regulations, at attracting investors and at facilitating the access and accepting foreign companies in order to support the Belgian economy. Indeed, every country is making more effort in attracting foreign investments. A most uniform market has appeared and eased small foreign companies participating in international trade; consequently a fiercer competition is rising.

Specifically, one of the experts (Mr. Dewit) explained the role of the Belgian government. It works in three levels: provincial, regional and federal. Sometimes, cities are doing some efforts to attract foreign investment as well. Each region (Flemish region, Walloon region and Brussels capital region) is competent to attract foreign investment by means of work permits for instance. Provinces are doing efforts to attract foreign investment in order to have more people employed and to help the development of the province. At the federal level, there are federal trade missions going abroad which are usually headed by HM King Philippe every 3 or 4 years and many companies join. The goal is helping these companies to penetrate Belgium, but it is also a way to expose the advantages for the local companies to come to Belgium by means of tax advantages or the delivery of residence permits for example.

Moreover, other bureaus facilitate the access, promote and welcome foreign companies into the Belgian market such as the Wallonia Foreign Trade and Investment (AWEX, *Agence Wallone à l'Exportation et aux Investissements Étrangers*), Flanders Foreign and Investment or Brussels Invest & Export. Emerging economies have greater potential economic, social and political growth. Thus, these markets are more likely to attract foreign investments.

The government of China (as an example of one of the BRICS) is making as well make a special effort to help and develop Chinese companies. As Wan (2005) confirmed the institutional environment can provide firms with possibilities for performing business activities abroad. The Chinese government is currently pushing companies to go abroad and is also trying to train about intercultural problems or local environment. What it is still uncovered is the reason why they help them. Some experts pointed out that the government expects companies to help developing the economy and growth of China. The questions are: is a

win-win situation? Or is a 'win-opportunist' situation? What are the real motivations that drive governments to support private small companies?

Sixth, the competitiveness of firms from emerging economies has improved in the last decades and firms from emerging economies are investing intensively in innovation. Now, these firms have the strengths to create and innovate and getting away from the 'imitation strategies'. Thanks to the participation in international markets, firms from emerging economies explore, develop and learn from their foreign competitors (Grossman & Helpman, 1991; MacGarvie, 2006; Kafouros 2009). Thus, cooperation, FDI, support or strategic relationships with other countries and institutions are enhancing the innovation performance as Blomstrom and Kokko (1998) or Bhaumik et al. (2010) stated. However, mostly companies from emerging economies with enough resources and money are the ones going from a 'copying strategy' to an 'innovating and creating strategy'. We are moving towards a more technological world, so if firms want to keep to the rhythm of world, they should invest in innovation.

A key finding during my expert interviews is about other essential factors that may influence to success internationally. These uncovered variables affect the internationalization process of firms from emerging economies and they should be included and mixed within the existing ones in further research.

First, international preparation is crucial (Mr. Vaes). Distinctive conditions and resources such as capital, people, skills, experience, strong management structure or a good business plan are needed to compete before going abroad. Thus, firms must have some basic competitive strengths and skills to go abroad, must grow first independently in their own countries and must get a strong and solid development (Mr. Vanheusden).

Second, an expert (Mrs. Yan) pointed out that there is a process of integration and adaption between the existing and new employees. Public sector is limited and companies, coming into Europe for instance, will eventually need to hire private professionals in the host country (Mr. Dewit). It is a basic requirement for companies that internationalize, to hire local people abroad who know the local environment, the culture, how to operate in the foreign country and who complement the existing employees. For instance, most experts stated that firms must hire as well a good interpreter to have the feeling that they are fully understood.

Thirdly, a good flow of communication and personal and business interactions are really important for the success of international long-term relationships (Mrs. Dreesen). Fourthly, it was highlighted that the best motors of success in a global economy are honest competition, cheap access to money, information, knowledge, competent administrations, and the willingness to come and invest (Mr. Vanheusden).

Regarding the important role of institutions in the host country, this study contributes to understand the significant and influential role of different organizations (ABC, Voka, BFTA, CCPIT and BCECC) to promote international development and trade and to connect foreign companies with international markets. As companies move more towards international markets, it is becoming an imperative to rely on network of relationships with external organizations (Hollensen, 2011).

The role of communications, new technologies and the boom of the internet has a breaking point for these organizations. Years ago, those were unique channels for foreign companies to connect with international partners. Firms now may find on the Internet new sources and information to get into contact with the world. However, there is still a tendency of companies from developing economies to come by themselves to developed economies and joined this kind of agencies.

Among the activities and services offered, the most common within ABC, Voka, BFTA, CCPIT and BFTA are summarized. These institutions provide general information, advice, support, guidance and different services such as experts in many fields (marketing, law, languages, finance, IT...). Sometimes, firms from emerging economies come without the right tools or do not know what it is the procedure in the new market. These agencies may provide the experience and knowledge that they lack.

These organizations mostly work in both directions: by helping and attracting foreign companies from China, Brazil or Africa for instance, to come and invest in Belgium, and vice versa. Knowing the information from both sides may get a better perspective and may reduce the risk for both, agencies (ABC, Voka, BFTA, CCPIT and BFTA) and companies.

This paper found evidence about how all the companies interviewed (ABC, Voka, CCPIT, BFTA and BCECC) specially promote international and national networking among companies, entrepreneurs and public and non-public institutions. Or in simple words, they

provide the chance to contact and meet with potential partners (local businesses, Chambers of Commerce or other trade and promotion organizations) by means of the organization of company summits, forums, business seminars, companies match meetings, business delegations and other events. These agencies create, circulate and leverage knowledge or business practices, which in today's environment is a way to get power. These bureaus have their limitations as well but thanks to their networking methods they can recommend other specialists and professionals.

These organizations have enormous experience and knowledge about how to finance operations, how to set up a business or about legal assistance as the promotion of international trade. Their international collaborations allow them as well to solve some small problems or disputes by means of talking, communicating and understanding.

However, for firms from emerging economies, there are a number of hurdles which impede them from becoming completely integrated. First, in the process of internationalization might appear cultural differences with foreign partners, institutions or employees. Second, some managers and by extent their companies might come with the wrong mentality. It is essential to understand in this process that doing business abroad is not the same as doing business at home. These cultural and business differences are sometimes hidden and difficult to conquer.

Third, relying in the family for the new enterprises might be a barrier because some relatives lack of expertise and experience in the specific business area. The family business model might not work in developed countries.

Fourth, firms from emerging economies have to be aware about the difficulty of getting work permits and about the higher salaries and social security that must be paid in developed countries.

Fifth, experts differ in opinion about language as an obstacle. One commented (Mr. Vaes) that some managers (of China) do not control English well; contrary, other said that English was not a problem (Mrs. Yan) and most of them speak good English. What they commonly pointed out is the necessity of a translator (Mr. Vaes, Mrs. Dreesen and Mrs. Yan) in those countries where English is not the main language for a better communication flow.

Sixth, there are as well some ethical constraints. Business practices perceived as unethical in one country may be totally ethical in another or the contrary (Madura & Fox,

2011, p. 8). This might include environmental standards, child labour, bribery, buying favors and corrupt payments to government officials. Those are normal situations in emerging economies. Firms that internationalize expect same sort of similar situations in developed nations. For instance, in Belgium, the system of bribery and corruption does not work and foreign companies need more legal advice. There are several controls on administration which firms from emerging economies are totally not familiar with. Nevertheless, we cannot be naïve. There are always some levels of corruption. However, nowadays with a more digitalized world and more anticorruption clauses becoming more and more mandatory in international trade, corruption will always be easier found out. Therefore, firms from emerging economies should act in accordance with international transparency, values and practices of the markets they want to enter and operate.

Seventh and finally, firms from emerging economies are gradually exploring new international markets. But before embarking into new ventures, firms from emerging economies should engage and achieve stable development in their own countries.

8.2. Management recommendation

This section contains recommendations with regard to certain aspects of the process of internationalization for firms from developed and developing economies and for intermediary agencies.

In this study, we have observed variables that act as a key success factors (KSF) for firms from emerging economies. The factors discovered in the context of developing economies might be applied and generalized to developed markets as well. Thus, this recommendation is addressed for both.

First and foremost, firms have to spend time and money in these skills and resources because it may improve performance in a new international market. From a strategic viewpoint, understanding the importance of a few factors can make the business successful. So, managers should invest in these factors because it may make the difference between survival and extinction.

Secondly, the interaction with foreign and national bureaus is really important. Getting into good and long relationships with such organizations might give the company a powerful position towards competitors. Firms that collaborate, share knowledge and engage themselves with supporting organizations have greater opportunities for themselves but for the agencies too. Thus, a piece of advice is that firms should rely and build on that expertise in order to create greater value and success in the new market.

As a direct consequence, one suggestion for the agencies in Belgium is to create new offices or departments specifically for the BRICS. These organizations could focus more on firms from emerging economies due to the influence in the global economy and the current and future potential of those firms.

8.3. Conclusion

This master thesis provides an analysis of the key variables that influence the internationalization process of firms from emerging economies. Employee mobility, entrepreneurship, networks, the size of the firm, the role of institutions, family ties and innovation performance are important key antecedents. But, for instance, the methods and ways used by institutions and family firms in emerging economies might not work in developed economies such as Belgium.

During my research, other important variables were discovered such as the preconditions of the firms, the international preparation and adaption, the importance of the good communication and the necessity to hire local people to success in the developed economies.

In my research I encountered that the 'role of institutions' plays an important part in the process. This attracted my interest, so I specifically dug deeper. I had as a purpose to get more understanding about some specific institutions. I paid special attention to the origin, the mission, the goals, the people involved, the methods and the services of these agencies.

Thus, some interviews were carried out with relevant experts of agencies in Belgium that promote and welcome foreign companies into the country and with experts who have the knowledge and experience about internationalization processes. My study confirms that institutional organizations can be regarded as a vital pillar which provides foreign companies with new opportunities and resources.

The dynamics and nature of the markets are gradually making an interconnected world since most countries are working in both ways (investing and attracting). The process of internationalization is not easy, and firms from emerging economies especially face many hurdles. However, these companies are fighting for their place in the global economy and they should be studied in further detail.

8.4. Limitations and future research

This study is not without limitations. First, emerging economies and firms from emerging economies continue to grow and change. A thorough understanding of motivations, paths, processes, and performances of firms from emerging economies does require new theoretical approaches that can take into account these distinctive aspects.

Second, due to the exploratory nature of this research, the sources of my study could be insufficient and the reliability of the measurement requires further refinement.

Third, the personal and subjective opinions and experiences of the interviewees are acknowledged. The conclusions might be taken with prudence, since the data of this study relies on open interviews where the experts were asked about their views on critical success factors for firms coming from developing countries. Additional qualitative and quantitative research would remedy the problem.

Fourth, this study gives a partial explanation of the internationalization process of emerging economies. The area of expertise of the interviewees was mainly focused on China. It would be fruitful for future research to examine the generalization of these findings in the context of the other emerging economies.

Fifth, this study studied only the variable 'role of institutions' in Belgium. Thus, institutions in emerging economies or other developed countries might have a different story to tell. The scope of research should be expanded for further discussion.

Sixth and finally, there are different ways of internationalization and each of them has particular characteristics. A separated analysis might uncover different patterns and factors.

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9.2. Internet sources

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Belgian- Chinese Chamber of Commerce: www.bcecc.be

Belgian Foreign Trade Agency: www.abh-ace.be/en/

China Council for the Promotion of International Trade (CCPIT): www.bizchinanow.com
(English version)

International Monetary Fund (IMF): www.imf.org

The World Bank (WB): www.worldbank.org

Voka- Limburg Chamber of Commerce and Industry: www.voka.be/eng (English version)

9.3. Other sources

Case 2 (Voka): Annual report 2012 Voka and official brochures

Case 3 (CCPIT): Annual report 2010

www.bizchinanow.com/Contents/Channel_1856/2011/0622/299916/content_299916.htm

Case 4 (BFTA):

<http://iccbelgium.be/index.php/itep-speakers/koen-vanheusden>

www.intracen.org

10. Appendices

10.1. Appendix 1: BRICS overview

Brazil

Officially the Federative Republic of Brazil is the most important and largest country in area and population in Latin America and the Caribbean. This country located in South America counts with a total population of 198, 656, 019, a GDP (Gross Domestic Product) of \$2, 252, 664, 120, 777 and an inflation of 5, 4% (data from 2012).

Nowadays, Brazilians are benefiting from solid and sustainable economic growth, relatively low inflation rates and improvements in social welfare. Brazil has a promising future thanks to hosting the World Cup in 2014 and the Olympic Games in 2016, demanding massive investments in areas such as urban and social development and transport infrastructure. In 2007, the Growth Acceleration Plan was launched for quicker and stronger economic growth.

Besides the good augury of the economy and expectations, Brazil has some challenges ahead:

- External environment (high foreign reserve levels (about US\$380 billion), favorable external debt composition, a current account fully covered by foreign direct investment)
- Low degree of trade openness
- Improve social indicators (Health, infant mortality and nutrition) in the North Regions
- Inequality remains at relatively high levels for a middle income country
- Improve quality and outcome of education in the basic and secondary levels
- Environmental issues (sustainable development, deforestation, reduce green house emissions- Brazil has committed voluntarily to reducing greenhouse gas emissions by between 36.1% and 38.9% until 2020.-, climate change)

Russia

The Russian Federation is a country in Northern Eurasia with a population of 143, 533, 000 citizens, a GDP of \$2, 014, 774, 938, 341 a GDP growth of 3, 4 % and an inflation of 5 % (data from 2012).

Despite the recession of the global economy, Russia enjoyed low unemployment, wage increases, credit expansion, and government spending. As a result, expansion in Russia was solid in 2012 based on flexible domestic consumption which became the main growth driver instead of investment. However, the weak external environment, elevated inflation, flat oil prices and a slow domestic demand could delay this growth.

At first glance, Russia's economy looks strong but a closer look reveals some challenges to take care about:

- Macroeconomic reforms
 - o Policy on low inflation (i.e. 7.1 % in January 2013, compared to 4.2 % in January 2012)
 - o Manage macroeconomic policies so as to ensure economic stability in the face of internal and external weaknesses
 - o Bank control and take extra measures to ease emerging risks in consumer loans

- Structural reforms:
 - o Reduce the state's footprint on the economy
 - o Improve the investment climate
 - o Face the challenges of an aging and shrinking population
 - o Strengthen governance through more transparency, better regulations, and more efficient control of corruption

India

The Republic of India is located in South Asia. With a population of more than 1,236,686,732 citizens, India is the world's largest democracy and the world's fourth largest economy. India has a GDP of \$1, 841, 717, 371, 769, a GDP growth of 3, 2% and inflation of 9, 3% (data from 2012).

The most noteworthy accomplishments for India lately have been a recent growth and development. The agricultural revolution has changed the country from persistent dependence on imports into a global agricultural source of power that is now a net exporter of food. Life expectancy has more than doubled, literacy rates have quadrupled, health conditions have become better, and a large middle class has risen. India is now emergent voice on the international stage due to the enormous size and potential, as well as home to internationally- renowned companies (pharmaceuticals, steel, information or space technologies).

Nowadays, India has the chance to meliorate the quality of life for 1, 2 billion citizens and set the bases for a truly flourishing future. Nonetheless, there are main challenges that will need to be addressed in India to promote prosperity in a rapidly globalizing world:

- Investments will be needed to generate jobs, housing, and infrastructure to meet high aspirations and make towns and cities more habitable and green
- Poverty
- Inequity, including region, social group and gender
- Nurturing greater levels of education, knowledge and skills will be decisive
- Improving healthcare (especially maternal and child mortality rates and children nutrition)
- Infrastructures (lack access to an all-weather road for rural people, inadequate capacity in ports and airports, slow trains, connect 300 million people to the national electrical grid, and a weak manufacturing sector)

China

It is formally called the People's Republic of China. It is a country located in the East of Asia with 1,350, 695, 000 persons, which makes it the most inhabited country in the world. China's GDP is 8, 227, 102, 629, 831 of current US\$, a GDP growth and inflation are 7' 8 % and 2'6 %, respectively (data from 2012).

China is declared one the BRICS of the current emerging countries and the Chinese economy is playing an important and influential role in the global marketplace. Indeed, it is the second largest economy (after the American). However, the boost of the Chinese economy has presented some challenges that must be taken care of:

- High inequality
- Fast urbanization
- Environmental sustainability
- Poverty
- Demographic urgencies (overpopulation and migration labor)
- Other external and internal imbalances

Yet, the market is still forming and some reforms are incomplete, thus, a lot of adjustments are required in order for China's growth to be sustainable. In fact, China's 12th Five- year Plan (2011-2015) is focused on these issues. For instance, this project highlights the development of services and measures to address environmental and social imbalances, setting targets of services to decrease pollution, to increase energy efficiency, to improve access to education and healthcare, and to expand social protection (2011, World Bank).

South Africa

The Republic of South Africa is a country placed at the southern top of Africa. The population reaches 51, 189, 308 inhabitants, a GDP of \$384, 312, 674, 445, a GDP growth of 2, 5 % and an inflation of 5, 4 % (data from 2012).

South Africa is now an established, multi-racial democracy with a lively civil society. Thanks to macroeconomic caution, supportive global environment, regular and reliable budgetary policies, pro- poor orientation of public spending and capital spending, South Africa has been able to improve the social and economical development, to strike lightly into international bonds markets and make accomplishments in the provision of social infrastructure and environmental management.

However, despite the significant achievements, the current administration is aware of the key development challenges to accelerate progress in South Africa:

- Legacy issues from the apartheid system
- Inequality and widespread exclusion
- High unemployment rate (24, 7 %)
- Persistent poverty, mostly among the black population in townships and informal settlements
- Health (i.e. access to safe water or insurances) and education (i.e. school attendance) sectors
- HIV/ AIDS and Tuberculosis (TB infections)
- Migration to urban areas
- Crime

These government policy priorities (and many more) are outlined in the 2030 National Development Plan (NDP) which is a vision and a development plan for South Africa. The NDP was accepted by the ANC (African National Congress) at the 2012 National conference as a policy for joint action by all South Africans to eliminate poverty, craft full employment and shrink inequality.

A lot of work must be done to alter South Africa's developmental trajectory but the lack of broad political consensus is slowing it down. Many policy actions must be addressed and implemented as soon as possible for a new path of growth.

10.2. Appendix 2: Antwerp Business Center (ABC)

Mr. Theo Vaes is founder and partner manager in ABC. He works as a senior consultant in the area of Chinese Business Development in Europe.



We met in the headquarters of ABC on the 7th of June, 2013 in Antwerp. Previous to our meeting, we exchanged e-mails to explain better the context of my thesis.

info Master Thesis - Student UHasselt thesis contacts x

Maria Jose Cebrian Tornero <mariajose.cebriantornero@student.uhasselt.be> 6 May ☆

to theo ▾

Dear Mr. Vaes,

My name is María José Cebrián and I am a Master student in Management at the University of Hasselt. Filip Debeule from the University of Leuven, and my tutor Piet Pauwels, suggested that you might be a relevant person to contact for my thesis on the "Internationalization process of firms from emerging countries". Your input could be of great help for me.

After the theoretical review in my paper, I would like to show some practical examples of how the export from and/or internationalization by firms from developing countries may grow or even boost thanks to the support of intermediary organizations such particular NGOs or your own. Eventually, I would like to learn about cases showing (un)successful mechanisms and tools that these intermediates (have) use (d) in this context.

I would really appreciate some specific guiding input on the basis of your experience and knowledge. If it suits you better, I could visit you for a talk.

Best regards and many thanks in advance,

María José Cebrián

 María José Cebrián Tornero
 IMS UHasselt
 1233618




Theo Vaes <theo@abc.be> 6 May ☆

to Filip, me ▾

Dear María José,

It will be a pleasure to assist a student of Filip.
 Cal me anytime to set up a meeting, preferably on a Friday over lunch here.

Yours
 Theo

ABC Services bvba
 Operational address:
 Markgravestreet 19
 2000 Antwerpen

Registered office address: VRO India Daklozenhulp Antwerp vzw
 De Keyserlei 5/58 Lange Van Ruusbroeckstraat 86
 2018 Antwerpen 2018 Antwerpen

www.abc.be www.villagesconstruction.org www.daklozenhulpantwerpen.be

Appendix 2a: Contact information

Mr. Theo Vaes, Manager of ABC Sevices

De Keyselei 5/58, 2018, Antwerp, Belgium

Tel.: + 32 3 233 3 336

E-mail: theo@abc.be

Website: www.abc.be

Appendix 2b: Interview transcripts

MJ: María José Cebrián Tornero

TV: Theo Vaes

MJ: [I explained briefly the goal of my thesis to Mr. Vaes]. My thesis is about the export behaviors of firms from emerging countries that come to developed countries, but I read in your website that ABC is more specialized in M&A, so I wouldn't mind to change and adapt a little bit the path of my thesis [hmhm] because M&A from emerging countries are an unexplored area.

TV: Well, if I understand correctly, you would like **to understand the challenges and process of a foreign company from an emerging economy coming to a global economy.**

MJ: Yes, exactly, when **they internationalize and what is the role of your company ABC in helping them** to settle.

TV: Ok.

MJ: Yes, because sometimes I think it is not enough that they just come here (Belgium) and I know the importance of the intermediary role for language, cultural differences...

TV: Ok. Well, what I would like to do is give you a brief history of my 23 years experience and I will then focus and zoom in the specific problem of emerging countries/companies. Is it good?

MJ: Yes, perfect.

TV: I started 23 years ago in 1989, with the last part of American companies coming to Europe. They started right in the 60s. American companies first as big petrochemical companies, so the large wave of American investment and ended somewhere in the late 80s. I assisted in this stage small companies. So, usually when you have internationalization expansion, in the first stage the huge companies will come, then the large companies, and eventually the small and medium size companies. So, there is a **sort of rank order of companies going international**. It has to do with capital, with risk taking, with resources and the nature of expansion by the company itself.

My opinion for your thesis, you first need to start with the economy of the starting company [hmhm].

After the American wave, we participate in the Japanese wave. So, by that time, the large Japanese companies came to Europe. I still remember the time when Toyota came to Europe. After the Japanese came [hmhm] ... The Japanese never had the small companies, because in Japan the economy and structure is totally different than in US. US has a very well- defined multinational large, small, medium size companies. In Japan, you don't have the same issue. You have the *keiretsu*, the large conglomerates and they do everything. [hmhm] That's why when the Japanese came, just the large companies came. Then, the third phase is when Korean companies came. So, by that time Korea was becoming a developed nation, an Asian tiger, [hmhm], and they quickly understood the [hmhm] value of internationalization.

What was **interesting was the behavior of business man was totally different**. The Americans came here thinking that this would be the United States of Europe and their approach could be identical of what they were doing in the US. So, they just did a "copy-paste", highly efficient but not really effective. [hmhm] Fortunately, the large companies had the benefit in the 60s of a lot of economic growth, governments wanted to create employment in rural areas, so a lot of government incentives were available for these foreign companies. And even if they did stupid things, they were still successful.

[hmhm] I remember in the 90s that an American CEO will take over [hmhm] as international manager, and he would look at the map of Europe without even being to Europe, and he thought himself to be intellectual because in Belgium, for example, there are two languages, French and Flemish. So, he immediately said, "Ok, that's easy. We divide the northern market and attached to Holland, and the southern market attached to France". From a linguistic point of view, that makes sense. From a **marketing and cultural point** of view, it is the most stupid thing you can do. Because Paris was not interested in this small piece of Belgium with very difficult cultures and the Dutch people were not interested in Flanders and the major market Brussels was left out because the banning wall aspect. Of course, an American friend from Texas cannot understand this sitting in his desk.

I have seen markets leaders that would be taking over by US companies, lose their market leadership in a matter of 3-4 years because of their **stupidity and cultural ignorance**. Because then, after 3 years of trying, they eventually manage to fire the American manager (for his stupid mistakes) but then they had to reinstall everything again and you have to restructure one after the other. Needless to say that for the people, it was not such a huge success.

The Koreans were a lot smarter, in their culture they are more [hmhm] humble. They know, that they don't know and they come and learn. Very similar to the Japanese. **The Japanese very often sent out a manager a year in advance and he had to do nothing but learn**. No business, no incorporations, no tax, no legal... he was here to **learn** and live, **and understand**, and learn languages. So, their approach was very different as well. That's why the Koreans were hugely successful when they went international. So, even mid-size companies usually are very successful when they go international. Of course, I am exaggerating my story now a little bit to give you a picture of extremes and [hmhm] in your study and readings you will find that the statements can be a little bit more nuanced.

MJ: Yes, ok.

TV: So, after the international movements, American, Japanese, Koreans. We had a lot of small companies in Europe that went international. They started I would say 93, 95, 96... SMEs all of that sudden communication technology, internet started up, the European Union, the Monetary Union became effective. So, it became **easier from regulations**, from a structural point of view to **work internationally**. And then is when we saw a huge inflection in [hmhm] participation in international trade by small and medium companies. The internet

made it possible that the smallest company (example of a carpenter in Spain that may sell his products globally over the Internet) (...) So, **communication technology**, together with the **regulations** and the **uniformed market**, has made a tremendous impact on **small companies participating in international trade**. Of course, this did not solve the cultural aspect. The late 90s I did research about a 1, 000 Dutch companies that came to Belgium. More than half had failed their internationalization experiment.

MJ: What do you refer with "failed"?

TV: failed meaning that after 3 years they had to close down.

MJ: Yeah, ok.

TV: What was interesting is that when we researched these companies, we found that they were really successful in their home countries and very often were markets leaders, in their home country, in Holland, and yet, they **failed** in Belgium. So, it was very interesting to study why they had failed. Another thing we discovered, it was that they sometimes some of them failed in Belgium but were successful in Italy and France. That was interesting. How a company can fail in a relatively easy market that is your neighbor? That is close by geographically that half of the people speak the same language...so, how was that possible? That they failed here (in Belgium) and not in Italy for instance.

Then, we started to crystallize our research and we came with the following conclusions. Number one reason that the (...) SMEs failed in Europe was **management too thin**, so their management experience was very thin and they **underestimate the complexity of export**. And therefore, they did not have sufficient management people (number of people) and capacity to deal with the new challenge.

This has to do with the number 2 reason. The number 2 reason was [hmm], Dutch companies did not see Belgium as an export market, because of its physical proximity, because of the linguistic (we more or less speak the same language), because of the facilities... and they **assume that it was the same thing as doing business at home**. There is where they failed. And we are back to point number 1, the management was too thin to react, so they did not have management capacity to react to the **wrong assumptions**. [hmm] So, those were two findings that we thought were very relevant: accepting that even Belgium was an export market and the too thin management. The third reason that we found for a failure was that very often when they move to another market the other market

participants, the **competitors** also came to their markets (i.e. Back to the example of the carpenter. Belgium market will react against the Spanish carpenter coming) (...) **Markets are dynamic**. It is not because you go to another market nothing will happen. Competition will do something.

In a number of cases a strategic move of the local competitor is very strong [hmhm]. They can play on the whole market with rules and regulations, so they go to the lobby machine, they force the government to make new restrictions (...) They could lobby with the local government and another regulation came that prevented the Spanish company from competing. So, playing in a different market takes a **strategic approach, you need to develop your management capacity, you need to appreciate that it will be difficult**, and that's why the Dutch companies were successful in Italy and France, because they were forced to work with local people, because of language. And they were forced to export market to things a foreign market. So, their **preparedness** to do [hmhm] to approach in a different manner was a lot stronger.

Well, now we come to the **developing countries**. I would say that 2,000 or after that, India opened up and China started earlier with Deng Xiaoping. [hmhm] Large companies have been exporting to Europe for a long time, both from India and from China. So the large companies have been supplying rubber tires for already 20 years in Europe, but these were not really companies doing international business. They were doing international trade. So, usually an import from Europe would go to China and buy there, so for the local companies it was more like free trade. So the only thing was that the product did go to an export market but they had **no experience in the export market**. It was the importer who dealt with the knowledge, with the distribution, with the product definition, product development... [hmhm] the whole logistics chain.

[hmhm] In the **second half of 2000-2005**, we saw that there was quite an interest for companies from **developing countries to come themselves**. So, they would come directly here, and try to find the end user, in other words, **cutting out the importer** (...), and they wanted to **come closer to the market**. In both cases, their motive was the wrong motive. They wanted to cut out the middle men to **take advantage of the price difference**. So, the Chinese manufacturer would find that he was selling his tire for 10 € and the retail store here sold it for a hundred. So, he thought if I go to shop myself, I can maybe sell for 60 or 70. So, it was his main motive and he **underestimated** the cost of the intermediate steps.

Because... [hmhm]. Let's say you are a Chinese manager and you are the owner of the tire company in China. You sell your tires in China. First of all, you don't need to advertise. You just need to produce. In a developing economy, everything you can produce will be sold. The client stands on your factory door and every tire that rolls from the conveyor belt, he buys and pays them. And even sometimes he has to pay cash in advance. That's what is happening in a growing economy. So, the supplier is a supplier market, the manufacturer dictates the price, the delivery time, the quality, bad quality, good quality... you have to take it.

Now, he [the manufacturer] goes to Europe and he knows a little bit about quality but all the rest he can still do. He can still do cheap and he will still produce when he thinks. **So, with that mindset they come here** and they want to take the profit gap that now is with the importer. Then, they found out that they **cannot really come with the Chinese salary levels** and do the distribution mechanism here because of rules and regulations. And the cost of distributing sometimes is higher than the cost of producing. Then, they found out that **the customer doesn't want to buy everything that comes from the conveyor belt**. They [the customers] want to have the tire in the size, color, quality that they desire at that moment. That means that you have to have inventory here: stocks, a warehouse, facilities... to buffer supplies in demand. So, it is not anymore everything that rolls off the belt. You have to produce, you have to ship it to your warehouse, you have to store it, you have to manage it, and you have to pay for the inventory, the financial cost (cost of capital). So, all of a sudden the price picture changes.

Then they found out that not every tire that rolls off the conveyor belt is bought yet, even if it is low price. **You still need to invest in marketing, in advertising**... Marketing in a number of cases is more expensive than manufacturing again. You know that Coca-Cola spends four times more in marketing than in producing coke. It's logical. So, the Chinese company never estimated or valued in the right proportion. [hmhm] And the same goes for the factory guarantee. You know, you have to deliver product, you have guarantee....delivering the guarantee costs money because you have to do it with **local people, local salaries**. So, your whole cost-price becomes, you know, a totally different picture that was from the Chinese perspective. I remember Chinese manufacturers, who told me when I explained this to them, this was a motorcycle manufacturer and I said, "How would you organize your factory guarantee?" And he said "I would do nothing. Every container, I would supply one extra bike for the client and if he needs spares or something is broken he can take it from the extra bike".

From the Chinese perspective it makes sense because the Chinese buyers will think “Ok, I get an extra bike for free and maybe nothing will break and then, I have the profit of a full bike”. The Western buyer will think “I have to tell my mechanic to take out the carburetor of this motorbike and it will cost me 40€/hour and it will cost me more than the carburetor is worth, and then I have to pay very expensive warehouse to keep my motorbike that I even cannot use or sell anymore”. So he (the Western buyers) is not interested in the free bike, he wants a manufacturer guarantee (...). So, the underestimation of the **total value chain is one of the most complex things to learn if you come from a developing country.**

Then, **there were some differences.** [hmhm] If you are starting from **India**, you have time as an advantage. You know that you can send you brother- in- law or somebody from the **family** out here to learn, to go through all the experiments, to make all the mistakes and because it is from the family, it doesn't worry you if it costs money. You are giving work to a family member. [hmhm] The learning confusion will be very long and because they speak English they think everything will be easy. Until you go to France or Germany of course. Because in Belgium and in Spain everybody speaks English...

MJ: Well... in Spain...

TV: Well maybe not in Spain, but in Belgium everybody must speak English. But definitely not in France and definitely not in Germany. So, you're negotiating in a foreign language for yourself against the person does not want or cannot speak fully. So, **cultural differences are not so obvious**, are not so easy to conquer.

The **Chinese** have an additional problem, besides the **linguistic problem** that they have, they have a **mindset problem** because they (in their minds) are the center of the earth. You know, in the (...) Chinese word (...) means we are the center. Well, one moment... (...)

MJ: Whilst, I am going to check if the recording is working. Yes, perfect.

TV: The Chinese have an additional **problem**, besides the **linguistic part**, and it is the **mindset** that they are the center. So, in their minds, the rest of the world will adapt to them. So they are not worry about how to do things here, they believe that the power of low price will be sufficient. I am (Mr. Vaes) exaggerating again because with respect to a lot of Chinese companies which are doing a very good job but a large majority still thinks that the low price is the key to everything and they don't have to worry about cultural aspects and things like that. Most of the companies will hire or copy an Italian engineer or designer. So it

looks like, you know, customized but **they don't understand the real deeper value that the product has to have**. For example, if you buy a Japanese piece of equipment it is impossible to assemble it wrongly, because so much thought went into the design of the product that the engineer knew that he has to foresee that you cannot put the wrong screw in the wrong hole. (...) has not that design ability. It is the same thing in a cultural perspective. They don't go to the extent to learn the needs of the buyer. (...)

So, a photovoltaic selling manufacturer wants to conquer the European market. [hmhm] They have been here with 5 people for 2 year, totally unsuccessful. They have lost hundreds of thousands of Euros, on salaries, on investment, on participation in trade shows... and they have not done any significant business. I participated in a couple of sale calls with one of the sales people and we go to a large buyer of pv cells (in this case this was in Belgium) who is currently buying Taiwanese products.

In the small talk before the meeting, his supplier is not longer wanting to supply him anymore (...) in the conversation. This is really important information, commercially speaking in the negotiation process. If I know that your current supplier is reluctant to supply you, it puts me in a good position. The current price was a hundred that he was paid to the Taiwanese companies. I find out, I know more or less what the price range is, so, I tell my Chinese friend, I translate, I am there just as a translator officially.

MJ: So, do you speak Chinese?

TV: No, no. But English to my friend. His English is very bad but the local man spoke Flemish language. He was not comfortable in English. (...) Immediately we can do for 70. Now, of course, the buyer smells a huge price difference and he plays hard tactics. He says "70 is too much". (...) The Chinese sales man calls his boss in China and says: "Can I go to 60? Yes, you can go to 60". So, we come to an agreement for 60. The client would have paid 105 because his supplier was stopping. If you understand culture, that's how you will go (...).

When we are working on the contract the buyer says "I will give you my sheets of the deliveries", you know, I want take so many panels,...then the sales man says "No, you have to take full containers of the same thing", he says "no, that's not what I was buying in Taiwan". So, he failed to go through to the normal **listening process in sales** because he was so convinced that the cheap price will do everything. The guy does not want full containers; he wants half a container this week, and half a container next week... that's what

he needs per contract. Now, of course our Chinese player has no more margins to accommodate a warehouse last for 15 years, so they cannot get finance and you have to have a factory guarantee for 15 years. The bank needs to justify, to verify that this guarantee is solid. So you need an international organization like SGS or TÜV in Germany to certify this, to become bankable.

That was not foreseen either (...) Regardless affected the price was interesting enough. If our Chinese sales man had listened, he would have coming to the price between 105 and 90, put up a warehouse here, put up factory guarantee even take the guy out to a tennis game In Paris in Roland Garros and accommodate him in a proper manner and everybody would have been happy. The buyer would have got cheaper that the price that he had. He would have supply from a local supplier, from a local warehouse, Our Chinese manufacturer would have made maybe 20% more margin, so this is like a small of story that I am sharing with you but illustrates a lot of essential elements in a highly competitive market like Europe [hmm] **price is critically important but not sufficient**. The other elements are the value chain are equally relevant, (...) internationalization of business, price started from the American, Japanese and Koreans and its specific problems of developing countries.

The companies are realizing this, there is not easy, a lot of failures have happened. I would say that in this stage maybe 90% of Chinese companies in Europe fail. I think the official figure is something like 72% [hmm] but it's not because of the 20% are successful, it just means that companies and they have more financial resources to keep on losing money every year.

Electronics companies so there are a very few very successful companies, we believe that the solution for midsize companies (...) **distribution, logistics, reverse logistics, factory guarantees**...buys a company that has all this. **It should find a European company that may be has only one or two products but very well embedded in different European markets**. Then the Chinese company buys this company at the normal price ... so they return on investment would be in between 5-10%. It would not be significant for the company itself, for the purchaser. They can also push all the products through the same European company. You see a big Chinese company that buys a small European company that makes just the legs of the chair [example of the chair man] (...) and the company buys the company and they can sell tables and complete chairs through the same channel.

This still would leave **some cultural issues to be addressed** because when they buy the company, they will have to understand where they should interfere and where they should not interfere. That's still a cultural question [hmhm] it is too early to draw any conclusions of if this will work or not... I don't know. So, we are now at the stage where we are doing the first connections between the two companies. Is this your final year or what year are you in?

MJ: Ahm, it is just one year program.

TV: Ah, ok. So one year program. So but the time of 3 years from here, when you do your MBA or whatever, you can come back and find out the results of my story. If it has worked or not.

MJ: Ok. **Can you tell me a bit more about ABC?**

TV: The company [ABC] started in 1989 originally we wanted to make a services company that provided outsourcing services to foreign companies. So, if you are a foreign company there is a lot of things that you need to [hmhm] **learn in a new market** and some of those things you only need to learn one time. How to incorporate the company, how to set it up, what structures...

All these things are not worth to learn in detail yourself, because you only will use it one time. So the one stop solution provides all the answers 32.18 to that. That was the one service we delivered. The **second service** was when you work in a foreign market you may not need all the different company [hmhm] structures that you have in your mother company. You don't need a HR department, you don't need an accounting department, you don't need a finance department...so all these things you can **outsource** if you wish. (...)

MJ: What about the people involved?

TV: We had a team of people that were **highly trained, multilingual and they delivered services in a flexible way for several companies**. So, one sales lady can work internal as a sales for 4 different companies. Also, you have a high quality of persons. We cannot afford to pay a high quality people because (...) divide the cost. And also the **job is interesting**, so the content of the job was a lot more interesting than the company could offer themselves.

If you can only sell the legs of chairs [hmhm] How excited can get there? What kind of people can you hire? If I tell the person, you will spend a day selling legs, and another couple of hours on selling medical equipment, and another couple of hours selling advertising... (...)

Business model we develop over 20 years and it became extremely successful. (unintelligible) if you wanted, were foreign companies that wanted to set up in Belgium. That means that **their market could be the whole Europe, Africa or Middle East but the company was settle in Belgium, that was our only criteria.** (...) They work over Europe or all over Middle East, but the **office is in Belgium.**

MJ: What **kind of departments you have in ABC?** The structure, types etc.

TV: Yeah. The departments that we have are **all those services that companies need.** For example, a department of production that sells support that means the internal sell processes follow ... you know, when the customer calls and says, Where is my order? That's an internal sales process. After their own core activities. And selling is a core activity. Just like production.

In an accounting company (...) we will not do accounting, because that's the core business. The neighbor was an IT company. For the IT company, we will do all the accounting because for them was peripheral, but for the IT, if they say can we use you IT department, (...) we would say no. That's production for you, that's your core activity (...) we cannot get involved. Our IT people did all the accounting for the IT company. **So, as long as is peripheral we would do it. If it is core activity we would refuse.**

MJ: Aham. Ok. What do you think is the factor they need when internationalizing?

TV: I think that's the real business motivation (...) I think you have to (...) there. In a number of cases the owner of the company could have a **personal interest** in a company [hmhm] to spread his assets in different continents. So, this is called assets- spreading. They might be uncertain about what happens in China so they want to divide their fortune over different continents.

MJ: Yes, it's really important. Then later, about the **social networks**, because in China they have a lot of connections...

TV: Yeah, that's one of the main aspects and the scientific term is **willingness to pay for services.** In the Chinese tradition, the medical doctor should not ask money for his consultation, for his advice. He can only ask money for the pills that you take. So, it shows that paying for knowledge is not appreciated in China. (...) The Chinese don't want to pay for knowledge and here, **in my company, we sell knowledge.** So, I just give them words, I give

them some advice and I expect them to pay for it. They find that really wrong. (...) That's also why they make the mistakes. In their country it is not a problem because their *guanxi*, **their network** knows everything, with all their friends together, they have all the answers, and they **share it freely**. So, our mechanisms are different (...) in the whole market but they cannot work the other way. So if I go to China, I have to develop a *guanxi* first. I cannot get other way to get the knowledge. If they come here, they have to pay. And if they don't pay they make a mistake. And I don't build a *guanxi* in China, I will fail.

We have **3 values in our company**. One is **respect**, another one is **diversity** and another one is **transparency**. Means that we have no choice, we have to inform the Chinese client about these things. Even if he doesn't like it. So, we do something against (...) we sell in the term of politeness (...) but our rule (...) is that we have not option. **We have to tell them even if he doesn't like it.**

Then, we are also pragmatic. [hmhm] The fastest way is to let the company make the mistakes themselves. (...) Lose a couple of hundred thousand Euros is valued higher than advice in the Chinese culture. This is very similar with your children in the short time.

MJ: Yeah, that's what I was thinking (...) the client (...)

TV: Yeah, the client most of them will not go bankrupt, a very few go bankrupt. We tell them, we inform them, we make sure that everything is in writing. This is important because of this. We give a PowerPoint presentation with the market analysis. Physically we tried in our market research that is essential to start up successfully in early 60s that is how our Belgium entrepreneur would think as well. We did not have the culture to pay for advice. We paid our accountant because he needed to write a text man but we not pay a consultant to help us with marketing or management. That's only (...)

MJ: (...)

TV: because in China the bad mentality of the center. The manager sent real decision makers and they don't bother to learn English, they don't need to, to be honest. So, the only person that will come to Europe is some second grater inferior person who has spent some time in other language. It is not the number one of the company or the best sales person will stay in China, because it's where they do most business. So they send somebody not good in average from the Western perspective the English is the most important. I can tell you that in the top four languages, English is not even there.

MJ: so, don't you think people and businesses will be more "English" in the future?

TV: No, I am not convinced that the world will be English. (...) **The only companies that are successful are the ones that understand that *in Rome, you behave like a roman.***

MJ: Is it difficult to get into business deals with Chinese government/institutions?

TV: It is difficult but not exceptional, but I have to admit I don't have much experience because I don't work in China. I work with Chinese companies here but although I travelled a lot, I have not done any business there.

MJ: So one of the roles of ABC is to facilitate those relationships.

TV: Yes, it is properly facilitated. **Our government [Belgian] has made a lot of effort to translate rules and regulations.** So, even Chinese we have big investments manuals in Chinese from the government but you have to follow the rules, you have to pay somebody to learn the rules and that's when the problem comes.

MJ: So, from your experience you think the **Belgian government is more like we must protect our country and firms or the contrary?**

TV: **I think protectionism is definitely existing but I don't think is a large scale thing and usually weak countries, weak economies that grab protection rules.** In Italy today we see a very strong anti- China sentiment [hmhm] and it is a reflection of their own weakness. They are scared of China because they have such a weak economy based on fake values. They are not working hard, they are not producing effectively enough in any way and of course the Chinese make a difference being a little bit more [hmhm] hurting.

MJ: **Do you work with companies from other emerging countries?**

TV: **Yes, we have companies from India, and a few from Brazil but essentially my personal focus is China because it is so difficult.**

MJ: What about the **R&D** in developing countries?

TV: It will come. I will take a generation but I am sure it will come.

MJ: Now, they are more in the stage of learning and copying...

TV: Yeah. We have seen the same thing in Japan, copy-paste was invented there. Very soon the Japanese became better in inventing. Today, if you look at the Toyota vehicle is a world class by any rule and that's not because they copy but because they invent. And we will see the same in Chinese culture, but of course it takes and needs a whole industrial tissue.

MJ: What about the **hierarchy** in the Chinese companies? I mean, the management structure.

TV: **They stay very much to their own rules.** If you look for example at Indian companies, in India today you can still **buy a judge, you can bribe a minister**, it's not that unusual. And they expect sort of similar situations here. If you tell them it's not possible, they smile very politely and they think, maybe you don't know how to do it [hmhm] You know, it will take time them to understand. If you look at a global scale, **you see transparency becoming more and more important**, like the WikiLeaks approach, like a free information system that are coming over the world. The world is getting a little bit better and I really hope that for your generation. China is already and will continue to Change the world for a better place. They drive to efficiency. They will be complemented by innovation in the next generation and we will see that we will get better and more products on every possible field. I am very positive on the impact of China in the world.

MJ: (...)

TV: The best indicator is poverty in 1985. You had 750 million people that were below the poverty line in India and the same in China. So $\frac{3}{4}$ of a billion people were below the poverty line in both countries in 1985. In China, they had reduced to about 100-120 million. India still has 750 million. So India has not progressed at all.

MJ: They should make a lot of economic and social restructures...

TV: It is a complicated story that would take us a couple of hours. The bottom line is that the country India is not progressing in poverty fighting. **And a country only can grow as high as its lower people do.** (...)

MJ: Do you know more companies in Belgium providing the same services as ABC?

TV: Of course there are a lot of similar companies, consultants, lawyers... You need to talk to [name of the person and background]

MJ: And can you give an example of any Chinese company that your company?

TV: I cannot for confidential reasons. It is going to be difficult to find one because they are really reluctant to talk and even more about their mistakes. It is a difficult challenge for you.

MJ: Thank you very much for sharing your time, knowledge and experience with me Mr. Vaes

TV: You are welcome. Good luck with you thesis and please send me a copy, I will be really keen to read and it was really nice meeting you.

10.3. Appendix 3: Voka- Chamber of Commerce and Industry

Mrs. Cathérine Dreesen welcomed me on the 18th of July, 2013 in their office in Hasselt (Limburg). Mrs. Dreesen works as a member of the staff of international trade at Voka- Flanders' Chamber of Commerce and Industry. After our talk, she provided me a lot of extra information such as the Voka Annual Report 2012.



Appendix 3a: Contact information

Voka- Limburg Chamber of Commerce and Industry/ "Limburg's Entrepreneur House"

Gouverneur Roppesingel 51, 3500 Hasselt, Belgium

Tel.: +32 11 56 02 00

Fax: + 32 11 56 02 09

E-mail: info.kvklimburg@voka.be

Website: www.voka.be/eng

Mrs. Cathérine Dreesen, Staff member International Trade

Tel.: +32 11 56 02 32

E-mail: catherine.dreesens@voka.be

Appendix 3b: Interview transcripts

CD: Cathérine Dreesen

MJ: María José Cebrián Tornero

MJ: [I explained briefly again the context of my master thesis]. Well, in the context of my thesis, I analyzed different factors and conditions [hmhm] for firms from emerging countries that influence when they are trying to internationalize to developed countries. That's basically, my literature review. And one of the main factors is the role of institutions. I mean the role of some organizations which help companies to go abroad and to set up. In the basis of this, I am making my study cases and that's what I have already done with my previous interview. So, I am trying to find organizations, NGOs or professionals in the area that know about internationalization and mechanisms that their organizations give to those companies to come here [developed countries like Belgium or Europe]. How they helped them or the contrary, how they protected Belgian or European firms against emerging market firms. What challenges or difficulties these firms faced as well.

I contacted professionals in this field and ask them from their experience, for their opinions when doing business with those emerging market firms. The difficulties, barriers for those firms, the tools or resources that they give them to overcome them for instance (...).

CD: Well, regarding our organization [hmhm] I think in every province might be a little bit different but we try to cooperate with different organizations. We as a **Chamber of Commerce have supporting and attracting role for the ones who really want to invest**. But on the other hand [hmhm] import from emerging countries that's something that is in the level of the companies, I think. You talked about two things. One side, emerging countries companies which want to export to develop countries like Belgium. On the other side, you talked about how we position ourselves towards to companies that want to invest and settle in Belgium. So, those are the two sides, right?

MJ: Yes, that's right.

CD: [hmhm] So, I think regarding imports from those companies towards Belgium. **There are two ways we can help them at the moment.** One might be our Belgium companies that contact those to see how the partnership with the foreign company, how we can help in that. That's one of our main services we give, **first line advice.** We are also a **member company** that means that all companies in our region can have a voluntary membership here. They also pay a fee and actually our first line advice is mainly for those who are member. Now, **we see more and more that also companies that are from abroad are starting to become a member from Limburg's Chamber of Commerce.** However, this is still an exception.

We have different services for companies that for example look for contacts here. Firstly, we can help them with some **direct contacts from a data base** we use for our member companies (it is like a list of companies with all the data). We also have like an **address service** where we sell addresses for a fee. **That's mainly the thing used by foreign companies when they want to have a better sight of our market.** I will give you a brochure later [some extra info and brochures were given to me in the end of the interview] about the things we want to communicate to foreign companies and possible investors.

Now, regarding to companies that want to invest here. Attracting investments is mainly the role of (X), I don't know if you have already talked to them. Their objective is to attract investments in order to have a better Limburg economy especially now when Ford is closing. And we are trying to support them but also for example villages and cities that have foreign delegations. We try to support them by giving the more economic programs and have a better view of what the possibilities are here. (...)

In the last few years, **Voka has invested in our network of foreign companies,** for example, Voka is very opened to foreign delegations [hmhm] of course, in the first place I must say that we try to have a growth in export of our companies abroad because in the end that's what will give them their turn over. But, on the other hand, it is a mixture. We try to find good deals for our companies and for the companies that come here, because of course companies that come here mostly want to sell something and the other way around, our companies want to sell something to them. So, we always try to find a **good balance and make good matches in both directions** [hmhm] and that's something that is growing in the last few years.

Secondly, we also **invested a lot in our relations with the ambassadors** [hmhm]. I am going to give you an example, we have had a long-term seminars in India and their consul told as “I want to give as much Visas to the Indian business man as I can to come to Belgium” because in the end they might come to Belgium to invest and it is a really good way of thinking of course, because if I do something for you, you might do something for me in return. So, that’s why we are really investing in that level of relations and we are keeping everything open.

We also have in the last years the **international meeting of CEOs in Limburg** that already invested in Limburg. [hmhm] We try to **bring those CEOs together**, so they also have a **network** here with the Flemish companies and the Flemish CEOs (...). By giving that, a certain **platform**, we also believe that those people [hmhm] bring out to other countries, their countries what is happening here and **what might be the opportunities**.

We have different departments here at Voka. **We have three pillars: networking, services and lobbying**. We have different provinces and each province its Chamber is doing things regarding to the needs of their companies.

Regarding the departments in Voka, **I think two of them play a role in what you** [María José Cebrián] are looking for and that is ‘*ondernemersloket*’. It is like the place where you can register, you have the statutes, change or set up, ask questions about different kinds of entrepreneurship and that kind of things. You have for example in Belgium MB or BBVA. They are actually an information point for starting companies here.

We have in Voka the **international department** [Mrs. Dreesen works for that department]. **We give advice and we do all kind of activities around importing and exporting goods but also attracting investments**. (...) But at the point that we have companies investing here and set up here then is for the “register office” that I told you. (...) I don’t think Voka is really protective for attracting new companies, not at all. If we attract more companies abroad it might give benefits for the companies here. That’s the reason why we work in both ways.

MJ: Yes, on the contrary as I understand. Voka wants to have more companies and you attract them.

CR: Correct. But of course there is a trend of some companies that are getting back from the idea that they should outsource in China because it costs them a lot of investments and time,

but also in failures. (...) If you talk about the emerging countries... are you working with certain emerging countries?

MJ: I am working with the BRICS. Brazil, Russia, India, China and South Africa, but mainly with China because it is the one of the important and big ones, and because its international scope. The problem is that there is not much research about what's going on with these countries. How are they coming? Are we prepared for them? How can we help them to come in the future? They are there and they are coming really fast. The predictions say that and in 20 years from now China is going to lead together with USA.

CD: (...) Our department goes together into missions with (X). So, that's why we want to be more part of it. We want to put our stamp there (...). We want to help them [X] to attract more investments in Limburg. (...)

We have a company in Limburg which buying (...) all over the world but they cannot sell them their products as a Belgian products because of the certificate of origin but as a Belgium company, people seem to see them as a Belgium products even when it doesn't say in the cover that is a Belgium product. But just because of the services they added to those products.

MJ: Yes, I understand. It's like Apple. They have the technology and they send the pieces to be assemble and put the pieces together in China and then they add some extra services (delivery, guarantee, reparation service...) for the customers are in USA or you own country. It gives me an idea of the support role that Voka has. I have already checked the website but I wanted to make a better introduction of the case with first- hand info and experience.

CD: Yeah. Also I will give you some more pamphlets later. (...) The networking groups which come together like 5 to 10 times a year to **share experiences**. It is usually one speaker then they start talking together.

We have a department of networking. We have 3 accountant managers that are daily in the road to get new companies to become a member of Voka. And also we have another few persons who are working on our network activities. (...) Our biggest event was the New Years reception, I think around 3,000 people came last year. It's a really big event where we bring people together but we also have a few others yearly meetings and so on. What else did I forget? (...) 20 000 decision makers who read it [the magazine] (...) We have also in Limburg of also a "memorandum of understanding" in both ways (...)

MJ: To check that every part meets the requirements, needs or activities?

CD: Yes, we will be their partner but also we keep in our minds the activities we want to make every year. Of course, we discuss every year about the possibilities.

MJ: It is like a legal contract to make sure every part will do what is expected from them or more like a long term agreement?

CD: It is like an agreement of cooperation. Now in **our international trade department** we are with 3 staff members, 3 supporting people and one director. (...) We have another person that was hired a couple of years back to support in the role of attracting investors and create a network of exporter to exchange experiences. We see our network and its enlargement as a way to be able to do the rest of the things. And we coordinate a lot of different activities. It could be giving them certain advice or some deep answer. It can be very technical, country driven or team driven. (...) **The main task is to be there for our companies because they pay the fee but also for foreign companies.** (...)

MJ: What factors influence for those companies to come? (...)

CD: I think, the **spirit of entrepreneur**. His **ambition** is part of it. If you don't feel like exporting or internationalizing, you won't do it. In emerging countries like China things are running really fast and in Belgium we are more traditional and working well. (...)

[example of how different people act] It is a difference in culture. (...) The way of perceptions and how you express yourself in doing businesses is different here among Belgians and Indians. And in the end you just want the final decision and maybe less talking.

MJ: Related to this, have you live like any misunderstanding in business with Chinese for instance? Like shaking your hand, receiving/giving presents or language.

CD: Well, every barrier or trap is an opportunity to learn. Voka invests so much in culture and to minimize those difficulties. But I think sometimes frustration is the feeling.

MJ: For you is really good because you invest in culture, in languages, in training you people and that situations are more exceptional then. It is good that Voka tries to minimize these difficulties.

CD: How is when you work with a foreign company?

CD: There are so many ways. So it depends. (...) You can find so many things on the Internet. There is so much information and it is growing and growing day after day. As a company sometimes you don't know what is worthy, what to use or what is relevant. **We can really guide and lead them towards that country or market.**

MJ: So... like a filter.

CD: Yes, like a filter. Every company is coming to the same level if they really invest time on the Internet because almost all the information available is there. So, the difference will always have to be made by a **more personal treatment**. Like now, we see a trend towards solutions selling but more and more seeing the **problem in advance and already providing a solution before there is a problem.** (...)

MJ: I read about the alliance that you have with the Chamber of Commerce.

CD: In general it's working ok indeed. (...) Belgians compared to the Brazilians or Indians for instance, they can get annoyed in the negotiations because they don't like when they rephrase and go back to something already talked.

MJ: Yes, I read about the treatments of favor and corruption. I mean, they give some officials in their emerging countries an envelope and you expect to get what you wanted. Then, they [emerging markets firms] come here thinking they can behave in the same way. (...) I see it as barrier for them.

CD: Yes, yes, it is true. There is a lot of corruption in those emerging countries. We are not so open about it. However, there is a big gap between what they promise and what you actually see later by working with them.

People change and so on by but having networks we can really keep ourselves in a proactive way about what Voka can do for them. (...) When there is a certain problem with a company, Voka is trying to give them solutions in a more and more proactively way. We talk to them a lot, we visit them if necessary [hmm] We give them information about we saw

MJ: How is a normal process since a company contact?

CD: Well, it depends. Sometimes they call because they heard about Voka and they want to learn some more. We are not really hard-selling but more of **feeling part of something better and bigger**, feeling part of the Voka family. (...)

We try to build bridges between government and our companies. For companies we will try and we will find the way to do it for the companies so they can grow. I think just we try to use all the **media and ways of communication** that we have and we fill that work. For instance the magazine (5000 a month to communicate with our members), Facebook and LinkedIn groups where they can post news items or share ideas. We try to make them aware about what is going on, what news Voka got, when we meet a delegation or an Ambassador or other companies we put a small picture and a few lines on the magazine. Then our companies know that Voka has some connections with them.

MJ: Yes, in the end is a way of promoting Voka.

CD: Of course! It is all about **communication and personal interactions**. The company director is working during the day and if he wants to network with him we should meet in the early morning or evening. But if I am investing in you, maybe you will give me something back. It's about sympathy and personal treatment sometimes. But of course you cannot set and focus everything about that.

(...)You partner is the one that can add something to your weakness so together you are stronger. I believe that you have to get a good deal but in the long term, it's mostly about **relationships, about good business and social relations**.

MJ: Do you have any example of companies already here? Companies which contacted Voka and Voka is trying to help them... Or other organizations with the same role as Voka?

CD: Probably we have a small ones, is this ok I send it to you via e-mail? (...) I will contact you with [x] and I will discuss with my colleague more about this (...) and I will try to give you more information.

MJ: Well, I don't know if you have more comments.

CD: We are really stimulating companies to call us, to contact and check if we can help them. If you are a company and you have a question, please call us, because if you don't call Voka, we cannot tell if Voka is able to help or not. (...)

Regarding the language I think if both parts can speak English to ease they business deal. There is a certain distance if there is a translator.

MJ: Yes, I know. It is not the same with someone in between, making slower the process and the translation is not always perfect.

CD: Yes, there is still in China a lot of people who cannot speak English. But if they want to globalize they will learn it.

MJ: Do you think the world is going to turn like more Chinese?

CD: I don't think so. (...) But I think personal relations will make the difference. (...)

You have to be open or no one will notice you. Then you have to make differences about you, about how you are developing in a continuous way. I think it is always of being ahead. I don't know for example if Chinese people have that. Chinese, they copy, but what's behind sometimes is missing. Indian in that field must sometimes be a bit different but depends on the area. (...)

It is also about mindset as you said before. Yes, they think they have the best way of doing things. They have their own ideas and they are stuck to them. (...)

There is also a gap between older people and young people. Young people are very open to change because they have had chances to do so many things in their lives. The older generation they had to make a choice about what they wanted to do the rest of their life. The younger generation (minus 30 years) they travel, they give their opinion, they learnt to be critical

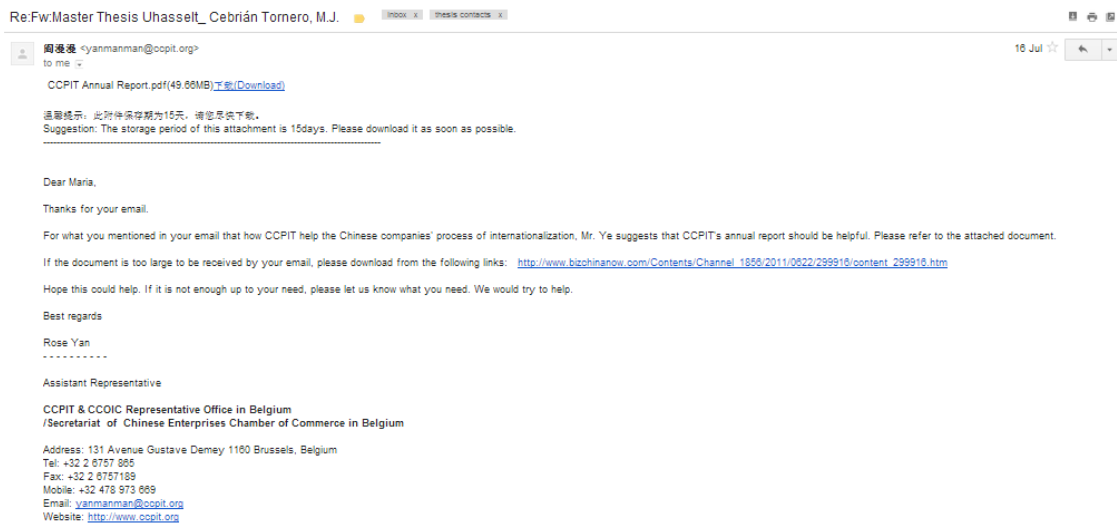
[Some more brochures and studies were provided and explained in the end of the interview]

CD: Well, if you have more questions you can email me.

MJ: Yes, I will. Thank you so much for your time and all the extra information.

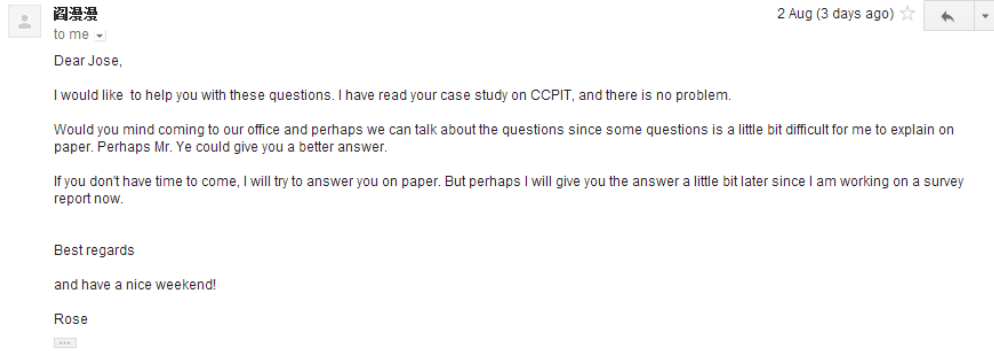
10.4. Appendix 4: The China Council for the Promotion of International Trade (CCPIT)

During July 2013, I contacted Mr. Ye Bing, Chief Representative of the China Council for the Promotion of International Trade (CCPIT) in Belgium. They cordially replied my e-mail and helped me through Mrs. Rose Yan, the Assistant Representative and CCPIT & CCOIC Representative Office in Belgium/Secretariat of Chinese Enterprises Chamber of Commerce in Belgium.



Following Mr. Ye Bing's instructions, he suggested that CCPIT's annual report from 2010 should be helpful to understand how CCPIT helps and supports the Chinese companies' process of internationalization. Mrs. Rose Yan sent me this document (APPENDIX 4a) and told me that they were really please for my email and they could try to help if this was not enough.

After reviewing this information, I wrote some pages about it. I sent the output to get their opinion and approval and some more questions (APPENDIX 4b) in an interview. Then, they suggested to better talk with them in their office in Brussels. I assisted to that interview with Mrs. Rose Yan on the 7th of August, 2013. Mrs. Rose Yan gave me as a present a hardcopy of the 2009- 2010 CCPIT Annual Report.



Appendix 4a: 2010 CCPIT's annual report

http://www.bizchinanow.com/Contents/Channel_1856/2011/0622/299916/content_299916.htm

Appendix 4b: Interview questions for CCPIT

GOALS:

- Explore how Belgian institutions and other organizations from developed countries may facilitate the development/generation of new resources and capabilities that contribute to the success of emerging market firms.
- Learn from professionals their experience and opinion when companies from emerging countries are trying to internationalize.

1. Tell me a little more CCPIT's mission and about yourself, Mr.Ye Bing/ Mrs.Rose Yan.

Answer:

2. How important is the role of CCPIT?

A:

3. In your opinion and from your experiences, what factors/conditions these companies must have/influence the most when internationalizing? (networks, entrepreneur vision, local/host environment, influence of foreign institutions, human mobility, innovation, specific skills/resources, foreign investment, R&D, etc)

A:

4. What are the main difficulties/barriers for firms from developing countries?

A:

- a. Barriers to get into deals with their governments:
- b. Barriers to make business with these firms from emerging markets:
- c. Culture is more often a source of conflict than of synergy. How cultural differences influence in the business process among foreigner partners and CCPIT? (Language, distance, religion, professional background, education, structure in the organization, leadership, cooperation, management style...)
- d. How mechanisms do you have to solve these discrepancies?

5. What tools/resources CCPIT provides to these companies in order to success in developed countries such as Belgium?

A:

6. Due to the difficulties in some countries (corruption, favor treatments, etc), the excellent knowledge of the market and local practices will make it easier for you to gain access to the authorities and companies in the country through networks. How important/influent are these networks and relationships when internationalizing?

A:

7. Developing countries are increasingly having:

- Access to resources (skills and technologies) and markets, and consequently taking over and making the market place more competitive
- Learning/copying capabilities and technologies
- Creation of competitive advantage
- Growth

Consequently, firms from emerging markets are becoming a future economic competitor.

a. Do you see protectionism from part of Flemish/Belgian/European institutions/entrepreneurs against Chinese firms?

b. Or, do they facilitate the access of firms from emerging markets like China?

8. If possible, could you provide some examples of companies that are (un)successfully established in Belgium thanks to the support of CCPIT?

A:

Comments:

THANK YOU!

María José Cebrián Tornero

Universiteit Hasselt – Supervisor: Prof. Dr. Piet Pauwels

Master of Management: International Marketing Strategies- 1233618

Appendix 4c: Contact information

Mr. Ye Bing, Chief Representative

131, Avenue Gustave Demey, 1160 Brussels, Belgium

Tel.: +32 2 675 78 65

Fax: +32 2 675 71 89

E-mail: yebing@ccpit.org

Websites: www.ccpit.org (Chinese version)

www.bizchinanow.com (English version)

Mrs. Rose Yan, Deputy Representative, CCPIT & CCOIC Representative Office in Belgium/
Secretariat of Chinese Enterprises Chamber of Commerce in Belgium

Mobile: +32 (0) 478 973 669

E- mail: yanmanman@ccpit.org

Appendix 4d: Interview transcripts

RY: Rose Yan

MJ: María José Cebrián Tornero

RY: Well, concerning with some questions that you sent to me. I think some of the answers are very clear in the Annual Report and from my mouth will not be as good as in the report.

MJ: Yes, yes. I read it and wrote a lot already with the report and your website. There is a lot of information available about CCPIT. With the interviews, what I am trying to do discover other factors, opinions and experiences that might be “hidden” but influence when Belgium and China are doing business together.

RY: Ok. Well, first I will introduce myself. **I started working for CCPIT** four years ago, since **2009**. I worked two years for the China’s Foreign Trade magazine (it’s the CCPIT magazine). And the last day of January, 2012 I came here [main office of CCPIT]. So, I’m just here for one year and a half. So, only from my introduction, you can see that my working period is not so long, so I will talk according to my experience, according to what I have

seen, from my personal views and about what hear from others. (...) I was leaving and working in China as a journalist especially for foreign trade (...) and I had to contact some companies in China like the American Chamber of Commerce in China.

MJ: How important is the role of CCPIT?

RY: Concerning the **role of CCPIT** from my understanding and knowledge. (...) The separation line should be the line of the Internet. Before the Internet is widely used, the role of CCPIT was much important. You know, CCPIT was established in 1952. At that time China had a very few channels to contact with the world. So, companies didn't have many ways to communicate with the outside world. But CCPIT had a special identity at that time, at the very beginning. CCPIT could contact any organization around the world and make many friends as a trade promotion organization worldwide. (...) So, CCPIT had a **special identity to introduce the companies in those countries**. Well, I just talk about this because I heard the other generation talking about this.

MJ: Aham... What I understand from this is that CCPIT was more like a channel for those companies which led them to other countries.

RY: Yes, and at the very beginning there was just one channel: CCPIT. And all companies would come to CCPIT if they wanted to go [hmhm]

MJ: ... abroad?

RY: Yes, to the outside world and especially in the 1978 because of the opening-up policy of China many companies wanted to go abroad for development. At that time the Internet was not so widely used and the companies didn't have the channels, the information or how to contact foreign companies. But CCPIT since 1952 to 1978 and they had many channels. People working in the CCPIT know how to contact the outside world. They know how to help the companies. So all these companies would come to CCPIT in that period (...).

Well, you know from our magazine in the 80s- 90s this magazine was available in 10 languages. It was a booming period for the magazine. All the companies had all the information published in our magazine and the potential customers. But after the new millennium the Internet was more widely used and more and more companies could find the information online. So the Internet allowed some other organizations have an intermediate

role as CCPIT (...). CCPIT is getting maybe less important than in the 80s but still important. **CCPIT was the only channel at that time and now there are many more.**

MJ: Yes. Now, everyone has access to the Internet but I assume that if you contact CCPIT is better for you [company x] have all the information from the Internet plus the support and help of CCPIT. So, the mixture of both sides puts those companies relatively in a higher level than competitor companies.

RY: Yes, they will have **more trust**. But sometimes the companies do not depend on CCPIT as much as it was. But if they need help they will ask for us but if not, they will do it themselves. Right now, I think, in a very first stage, **CCPIT had the importance of introducing companies to potential partners. CCPIT always organizes some delegations, for example, a company summit or a meeting with the higher level leaders and CCPIT will organize some business delegations. CCPIT provides the chance to contact with the business community of the local areas.**

MJ: So, it is like if I am company from China and I want to come to Belgium, you will **intermediate** and contact someone from the city or the region to create some **connections and networking** with me.

RY: Yes. **CCPIT will cooperate with the Chamber of Commerce or other trade and promotion organizations to hold some business seminars and companies match meetings. CCPIT will provide some chances for the company to meet.** Also, perhaps a company needs a local company from Belgium and the Belgian needs to find a local partner in China and it turns out that CCPIT has this information to help them.

MJ: So, you work in both ways? CCPIT helps companies from China to come to Belgium and the other way around.

RY: Yes, yes. We know the information from both sides. So we play a role of go-between at the early stage. It is really important because it **can help to reduce the risk**.

When a company starts a co-operation or other kind of relationship, if there are no problem they won't come to CCPIT. But, if there are **some problems or disputes**, CCPIT also can provide some law service through **CCPIT law office or the China International Economic and Trade Arbitration Commission** for instance.

MJ: So arbitration. Like a referee in the middle...

RY: China International Economic and Trade Arbitration Organization is one of **the four biggest of the economic and trade arbitration organizations in the world**. And the quality of this organization is very good. We also have the arbitrators around the world. You know BCECC?

MJ: Yes, I just came from an interview with them this morning.

RY: His Chairman, Mr. Dewit...

MJ: Yes, I met him too.

RY: He's a mediator/ arbitrator for the China International Economic and Trade Arbitration Commission.

MJ: Yes, I know you have a lot of agreements of co-operations.

RY: Yes we have a close relationship and we always cooperate with each other [CCPIT and BCECC]. (...) We're good friends. (...) CCPIT also can provide some information, some general consultant services, not professional. **CCPIT can just provide general information**.

MJ: So, if companies want more specific advice, they should go to some specialists...

RY: Yes. They can go to KPMG, law offices or those kinds of companies. We cannot provide these kinds of services but **CCPIT can recommend this kind of organizations to them. That's what I think the role of CCPIT is. CCPIT is important though not as important as before**. Well, I think this is enough for the first and second question [APPENDIX 2b].

MJ: Yes. Now I can explain you a bit my theoretical framework. There are many factors or variables that influence the process of internationalization. I summarize the most common variables in around 8 (there are many more but stopped there) that occur or influence when companies from emerging countries like China are trying to internationalize. Like for instance, the entrepreneurs, the importance of networks, I think CCPIT encourages this the most: connecting people, making contacts...

RY: Well, first I think we should make a definition of internationalization. In my opinion, **internationalizing a company includes the internationalization in terms of production, marketing, management and resources**. So you have many aspects of internationalization. So, factors and conditions influence the internationalization process of the company in

different aspects. For example, for the **production internationalization**, I think the **preconditions of the company** to internationalize... kind of **competitive strengths**. They **must have certain skills to go abroad**. That's a precondition I think. The company needs to have some capital or operation experience. If they have this, they can expand abroad.

For the **marketing internationalization**, before you go abroad, they will need more **network and people abroad** who knows the local environment, the culture or how to operate in the foreign country. When they establish some companies or some subsidiaries in the local country and maybe they can **hire some local employees**. **Those local employees will complement the existing employees**.

MJ: Yes, like **matching capabilities or skills** of both. The weakness of one part will be balanced with the strengths of the other. [hmhm] More or less, take the best of both sides and put it together.

RY: Yes, because if they really want to know the local market, you need local staff.

MJ: Yes, you need an 'infiltrator'.

RY: Yes. Another aspect is the internationalization of management. **The management team must have the international vision**. Also, they need **to understand the local culture, the laws, the working style or habits**. It is the most important thing for the management team to notice; otherwise it will be some conflict.

MJ: (...)

RY: Yes, that's what management does. Management sent abroad some people for example. But the higher manager, the head of the company in China must have this kind of knowledge as well. They are responsible of who will be sent outside. **The head of the company and the management team must have this entrepreneur vision**. It's very important.

MJ: Yes. Management must have the vision but also know the culture where they are going, know the market deeply etc.

RY: Yes, yes. I will give you an example. (X) is responsible of export beer and chocolate from Belgium to China.

MJ: Ah, yes, so the contrary I'm doing.

RY: Well, (X) **has deep knowledge of the country**. (X) **understands the culture and the people** of China but also the culture of Belgium. I talked with (X) and I found out that (X) knows really well the differences between the Chinese and the Belgian culture. That's what makes him **success**.

MJ: Yes, the level of understanding of both sides of the coin.

RY: Yes. (X) helped in 2011 to bring some peers from China to Belgium. To understand the culture and also to introduce them personally. (X) is really successful. (X) is expanding and expanding. Right now, I just heard (X) just bought a beer company, a brewery. The **important factor** is that (X) knows **the differences and the culture**.

Internationalization of finance is not very difficult. Chinese firms can find Chinese banks or groups to help them with the finance. I don't think it is a barrier. It's a technical problem no like culture.

MJ: Yes. It should be more like a precondition. If your finance sources and structure are good, then you can go abroad.

RY: **For the human resources and services** you must know the **local people**. (...) The culture is a very wide concept. Folklore, customs, lifestyle, values... all are very important.

That's my opinion concerning these kinds of factors or conditions.

MJ: What about the **barriers** these companies face when they come to Belgium?

RY: Definitely. **There are barriers**. For example, **work permits**. Some companies found out that it's **not easy** to get a work permit and sometimes it will **take a long time**. (...) Other companies, small companies, if they don't have the work permit, they have to change people. If one person just has a permit for 3 months, the company has to shift people every 3 months. It is difficult then for the company **to keep its continuity**. (...)

MJ: So, it depends if you have the time and the money to wait for those permits.

RY: It's a process of inconvenience for some companies.

MJ: Another barrier could be **language**?

RY: English is not a problem right now, people from China can be sent abroad to operate, that people can speak English very well. **But in Belgium, for the Dutch or French, it could be a problem.** Then they can **find a translator.** They need to find **local employees who can speak English, Dutch and French.** (...) Most of the Chinese people cannot speak Dutch.

It's necessary **integration** of the **local staff and the original staff.** A **compromise** among them because both have their own working style, culture, values... I will give an example. In China we always overwork, if the job is not finished today, we will work more. Maybe if you don't overwork you will be fire. It is common thing in China. But here, the local staff is not willing to do this. They think "I can do this tomorrow". (...) The Chinese staff, the colleagues will be unhappy that you just left the work. The problem if I am Chinese and you Dutch, and you go home; the work is not done because I need your cooperation. Also the Chinese manager is not happy but of course he has to allow the local staff to go home.

There are kind of differences in culture of the company

MJ: Yeah, sometimes there is a collision between the different backgrounds or values of the companies.

RY: (...) Also, think that you have to be overpaid if you stay longer. (...)

MJ: Do you invest and give advice to these companies that come here with a different mindset?

RY: There is no need for us to say that. They eventually realize but it takes time. Even though, they will keep their working style. Of course they will incorporate the other working style. That's what means compromise. (...)

This is just my understanding.

About the **barriers** these companies face to get into deals with governments we mentioned several barriers.

MJ: Yes. The work **permits, the salaries, the social insurances, the mentality, the culture...** (...)

RY: **The government from China will help to develop companies**, because the companies can provide later something back. (...)

MJ: competitors (...)

RY: You should [a company] learn about **bribery and corruption** and those kinds of things. [Examples of some pharmaceuticals involved in this kind of scandals] That's how they used to promote the sales in China.

MJ: Yes, I wrote about that too.

RY: Non Chinese companies will face this as a **systematic barrier** and they will be **blocked**. However, Chinese will take advantage of this kind of illegal measures. It's no fair for the other foreign companies.

MJ: So, **for Chinese companies, this is a barrier when they come to Belgium**. They expect a similar situation and then they realize that in Belgium everything works more legally.

RY: Yes. It is a **kind of barrier for them**. A weakness for these MNCs according to my understanding and knowledge.

MJ: Aham. This answer is related with 6th question. [APPENDIX 2b]

RY: (...) **CCPIT collaborates with its partners worldwide**. CCPIT knows how to collaborate with international partners but sometimes there are some small problems [Example of China's Summit with a little misunderstanding about the background sheet. The participants had different opinions about the logos and sponsors on it.] However, we **talk**, we **communicate** and we try to **understand** each other; then we find a solution.

MJ: So, you talk rationally to understand both opinions and get an agreement or middle point where everybody is happy.

RY: Yes. Finally, we find a way in between. (...)

MJ: What about the **different hierarchies in China**? The distance between the people involved in a firm? I mean when they come to Belgium, and Chinese see that everyone gives its opinion, and talk freely within the department and with the managers, for instance.

RY: Yes. It's a mental distance, a **psychological distance**. (...) As said before, the managers won't be happy but they won't show it. They could talk with CCPIT but not with the local staff.

MJ: What about all the **events CCPIT** organizes? CCPIT put entrepreneurs, delegations or companies together. You already mention some of the services and resources CCPIT offers to get along.

RY: Yes. I will complement this a bit more.

(...) We will try to **provide information**. We have many **contacts** with the local Chambers of Commerce and if they have some events or activities, **CCPIT will inform the companies**. We will update them. **We try to help the companies to come here and we try people know each other**. That's a network for Chinese companies (...)

Chinese people were really good at copying at the beginning. But it shows that Chinese have a really strong capability. Really strong and quick. Right now, **they are not only copying but creating**.

MJ: Yes, that's one of my variables: **innovation**. It is not anymore the "copy-paste" strategy, they are **investing in their R&D and they are innovating in marketing, finance...**all the different strategic aspects.

RY: Yes. If you want to innovate you need money (...). At the first stage we copied but now we have much more strength. Their **competitiveness has improved** and now they have the **strength to create and innovate**. [hmhm] They have the capital to get in the R&D activities. If they want to get a strong reputation in the world and a good influence, they have to **create and innovate**. (...) I think that's the tendency for some Chinese firms. [Example of software industry in China]

MJ: Did you see **protectionism from the Belgian government**?

RY: I didn't see it according to my experience. You have **AWEX, Flanders Foreign & Investment, Brussels Invest & Export...** all these bureaus are promoting and trying more Chinese companies here and find partner. **They welcome Chinese companies**.

MJ: Do you have any example of companies helped by CCPIT?

RY: For the 8th question [Examples: Hainan Airline and Huawei]. The chairman went abroad with one delegation of CCPIT and helped these companies to establish some offices. But I cannot tell the details because I don't know and it was long time ago.

Well, this is my personal opinion about this and the information from the report will be more accurate.

MJ: Yes, I know. I just wanted to have first-hand information to know more the role of CCPIT and what your experiences are or were. To explore about the things that are not that clear.

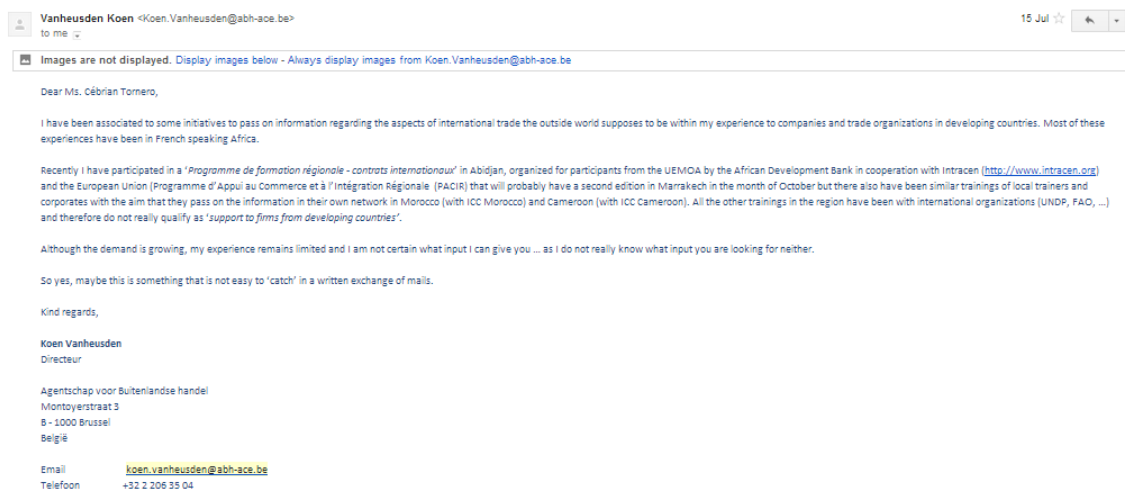
RY: I hope what I have mentioned is useful for you.

MJ: Yes, it is. I really appreciate the information and time shared with me. Thank you very much.

RY: You are welcome.

10.5. Appendix 5: The Belgian Foreign Trade Agency (BFTA)

Mr. Koen Vanheusden received me on the 23rd of July, 2013 in the Belgian Foreign Trade Agency (BFTA) in Brussels.



Mr. Vanheusden is a Director in Human Resources Service and Regulations Services at the Belgian Foreign Trade Agency (BFTA). He advises (mainly Belgian) companies on the regulatory (customs, VAT, product requirements, documents, services) and legal (contracts, distributorship, investment, intellectual property) aspects of their international commercial transactions and relations (import – export – investment).

He has written many publications on different aspects of international trade (sales contract, agency and distribution law, customs and VAT or international payment techniques). Recently Mr. Vanheusden has participated in a '*Programme de formation régionale - contrats internationaux*' in Abidjan (Ivory Coast, Africa), organized for participants from the UEMOA by the African Development Bank in cooperation with Intracen and the European Union.

Mrs. Vanheusden has given lectures at several Belgian universities. Currently, he teaches Export Management in the Brussels Institute of Chinese Contemporary Studies. He works as well as consultant with the United Nations (UN), with the Africa Development Bank and with the International Chamber of Commerce of Morocco (ICC Morocco) and ICC Cameroon from instance.

Appendix 5a: Contact information

Mr. Koen Vanheusden, Directeur Service Ressources Humaines/ Service Réglementations

Tel.: +32 2 206 35 04

E- mail: koen.vanheusden@abh-ace.be

Appendix 5b: Interview transcripts

KV: Koen Vanheusden

MJ: María José Cebrián Tornero

MJ: [Brief introduction about myself and the context of my master thesis]

KV: Officially, BFTA is not developing aid. So officially, we try to support Belgian exports as much as possible and even BFTA is a sort of back-up office. We give **legal assistance as the promotion of international trade** is, has been regionalized and is now the main of competence of the regions in Belgium. But the **BFTA is a back-up office, created by the three regions and the federal authority to give certain support**. Now from that **experience out, we have experience and knowledge on how to finance operations, how to setup a business**.

[hmm] That has led to the fact that **development organizations or local companies in developing countries, mainly in Africa, ask our assistance from time to time**, how we do business. Now regarding setting up in Europe, I must tell you that my **experience is**

relatively limited because there are **very few companies from developing countries that have the means and the foresight and so on to set up over here. Most of the experience we have is that people from developing countries try to set up something as a vehicle to obtain a work permit or a residence permit.** But there are very few companies that have the **money** to set up over here.

Secondly, as you correctly stated, once you get into this environment, you enter into an environment where there are several **controls on administration** which is something they [firms from emerging economies] are totally **not familiar with**. When there is money in those countries, it's often in mining, it's often in agriculture, it's often in sectors where there is a high impact of public property or political influencing. Obviously, they are not really interested in creating added value over here. They are much more focused on creating added value in their own country where they have much more control of how that will be taxed, how it will be spent and where it will be spent.

I've seen some... I've recently been to Ivory Coast and we tried to participate in developing of model contract for selling, [hmhm] which fruit was it... mangos! But what we see is, where there is some sort of **willingness**, there is too much competition over there. They just can't put themselves together, the farmers and the local transporting and warehousing companies, and they are all looking at each other and no one wants to make the investment, take the lead. Saying, instead of having multinationals coming to collect mangos over here at one cent a piece and selling them 9 euro a piece in Switzerland, we want to bring them over there and we are going to sell them at 5 euro a piece and pocket the profit ourselves. And there is apparently the long term sight and involvement and willingness is relatively limited.

On the level of investment, there is obviously 'De beers' of South Africa which is African but you cannot really call that developing country. But otherwise, some rep-officers of local airlines. I don't know, have you made some inquiries on how many set up?

MJ: Hmm, no really. I'm just trying to find the role of some institutions and [hmhm] no...

KV: Well, I'll tell you. Well, you added it a little bit ...

MJ: Because of the... I tried to find companies. I just start with companies from developing countries that come here, but most are Chinese and they don't want to disclose anything...

KV: But Chinese, sorry, they are not developing. Well they are technically, perhaps according to some standards, still developing country ...

MJ: Yes...

KV: It's like the Indian Tata, well India is a developing country, but Tata is not a company from a developing country. It's a multinational company and it has just exactly the same attitude as Coca-Cola or whatever big multinational company. And they are not, what I would call, a motor of, well, from our perspective, it's certainly as a public entity: development, democracy, paying your taxes, supporting... it goes together. I must say, in China it goes together to a certain extent, because my experience with Chinese is certainly that they have a very high national identity, that they are very closely linked all together and they support each other as Chinese. I will tell you frankly, **when we work with Chinese, the only thing Chinese dream about** is not about 'how do I find a job with a Western multinational company', **it's 'how do I start my own Chinese company'**. So on that level, I still agree that not the Chinese companies that come here for education, but the Chinese that come here. There's a lot of, what I would call, that falls within my scope of supporting the liberation of people, the spreading and creation of wealth. But obviously, for certain Chinese multinational companies, that's no longer truly the case. Also, I called you 'De beers' in South Africa, but we can't really call that a developing country company.

MJ: [hmhm] because you work as a ...

KV: Well, I must tell you I am not going to talk to you as my quality as official here but I'm a **consultant with the UN, with the Africa Development Bank, with ICC Morocco, ICC Cameroon.** (...) What I think **they should do it is grow independent.** I don't think that setting up here is a condition to be independent. **A condition to be independent is having a good stable- trustworthy home market that allows you to make the investment to go abroad.** That a certain extent guarantees the flowing back of the profits made.

[hmhm] We've been to Cameroon; there is a high willingness to start creating added value. Now, you don't create as a Cameroon company added value by setting up [hmhm] a plant in Belgium, in China or in Spain or in Portugal or wherever. You do it by starting in your own country, process and plants. And then exporting that through perhaps agencies. But do we call an agency or distributor, do we call that an investment? In my opinion it's not an investment. It is a presence facilitating your home production. But what they are craving for is

employment in their own country. And setting up a business over here, does that create employment in their own country? I doubt it. So, what we are mainly looking for and this is a project that has been now started with the European Development Found together with the Development with bank African and with Intracen (...) **forming people will be passing on this knowledge locally**. How do you make a contract, how do you to negotiate, what is a letter of credit, how do you work with it, how to organize logistics, how to make a contract to your benefit and how to understand elements of what you engage yourself into. (...) There are already so many people shopping in Paris, in Brussels and in Milan. Creating more democratic environments and it is indeed civil control on administrations and on politicians (...)

I would tell again. My first impression when I went to Africa [hmhm] why do I go to Africa? Because I speak a little French, because there is a few people (...) competition in the English. I don't speak Spanish so I cannot experience with Latin America. (...) They ask you, then we make a positive evaluation and then we start. For example this morning I got a question for training on international trade [it was explained the case].

The first thing I noticed when I got there the first time is most of the people who go there to pass information, (...)

MJ: (...) already

KV: Well, they are consultants and their average age is 50 or 60 years. (...) They don't become your clients in Europe and in other regions. Why do lawyers and so on participate in seminars in trading? Because there is a return on investment, you pass information and then you become your clients, and then they hire you. In Africa is not the case. But limited because it is development (...) So, most of the people are retired. So they do it as a consultant after retired. But they teach the Africans how they did business 20-30 years ago. Is this going to help? [laughs] It's going to another level.

It is very difficult on all the levels but we try to organize. We have created and we give them free of charge. It is **training**. So, I went there and I said 'this is an on-line tool' for example for selecting conditions of delivery. The only thing I asked from you is send me you logo, so I integrate in your application and I send the zip file back and then you can put it your website. It is one of my specialties. (...) Here is a text. I know you call for books that are official published and are really expensive... and you get them free of charge. I went to Cameroon

and I said... I come one time. I gave the PowerPoint, I gave everything... but I can't take over your training. You have to do it.

MJ: Yes, I know there are some different perceptions...

KV: Is their environment? It is something that I find very strange. Let's a Congolese come to Europe to study at university, he will have good results, he will work perfectly. Send him back, he has to compromise on everything to survive [hmhm] and in my opinion it is something I find very sad.

MJ: Yes, indeed it is.

KV: (...) I have difficulties to explain.

MJ: Ok, so what I understand is for you as consultant you give them this training but they through it to the trash can because they don't use it properly...

KV: I don't know

MJ: ... but also their environment, their local institutions don't really support those people...

KV: I don't know if they don't support because in Belgium we have many people from a lot of South African countries with a relatively good training but they dream on one thing. If I have my diploma, how can I stay here? Because if I have to go back they have to pay another uncle who has supported their application to study, they have to pay back the people who invested in my studies. (...) High selection of the profiles that I encounter. That's absolutely possible.

I ask you. Do you know a lot of people... well I presume you are taking that master program because you know people of the region... when I talk with Chinese students only think about one thing going back...

MJ: Uhm... Yes, it's true.

KV: When I work with African is only one thing, how do I get a visa? How can I stay?

MJ: Well I suppose it is different goals in live and they way the culture they got about their own countries and futures....

KV: **It is not only culture. It is a feeling of reality and realization...** If I take my future in my own hands (...) however it is organize politically...people believe they have the possibility which is the main thing.

MJ: Yeah, if you believe it.

KV: Yes, if you believe in the future. I must say (...) I have been recently on some Mediterranean countries where I also see there are more people. But **how do you give development to economies and countries with the brightest people?** And only in fact for the brightest people there is a way out [laughs] Because we only take people with high diplomas (...) So I don't ask too many political questions about that topic.

The only thing that we try to do (...) is **pass information** and **we try to train them**. And **we try also to direct people towards funding that is available**. Because there are funds. I will give you a recent example of a Belgian company who had a funding project (...) everything was ok. The company was created and then came the issue of (x) [explained] (...)

I presume that you have look about **international transparency**...

MJ: Yes. I have read that some organizations and institutions have so much power and influence in their own countries...

KV: **There is not civil control! There is not civil control on the administration.** And once you are in power, and I have seen it in Cameroon also...

MJ: Yes, they do whatever they want.

KV: Yes, and you see the minister and 'come, come, come'. It is very difficult. What is certainly true in that environment is they will never, never, learn to compete because **competition**, and honest competition which I do believe **honest competition is one of the best motors of success because in a global economy**, you don't need to be the best but you need to be good enough to be wanted, needed. That's the environment they don't have. They are not trained in that sense in my opinion.

Secondly, they don't have any money. And if they have any money you know what they do? [x] I have been there, and they show it. And they tell you 'look, look'. And all people know they don't need that [x].

(...) Well I don't know how it helps this... [laughs]

MJ: Yeah. One of the things that you just said about the [hmm] **conditions that those firms need to success. You said competition.** Do you think there are other more factors or variables that influence?

KV: If you don't have **access to money** you don't have access to finance. If you don't have access to finance, you cannot support people, you can't guarantee payments, you can't invest, you can't buy a house without a credit. If you can't buy a house, you can't pay workers to build a company. There is not employment. There is no nothing. And I think at a certain extent that what has captured (...) We have expensive environmental regulations that makes impossible for anyone else to compete with us. (...)

So, when we negotiate free trade agreements. If you have a look at free trade agreements, it means on the agriculture level that they don't have free access. (...) In Italy and France (...) but there is always zero rated. There is even an agreement in these customers organizations that all IT goods, computer technologies, need to be zero rated. (...)

If it is zero rated you have people who have and ready manufacture them and you have people don't. How can you ever start an economy building it up without protection against foreign competition that is already 10 years ahead?

I will tell you quite frankly, when Poland entered into the European Union, you know what happened? All the car manufacturers closed... tariffs protection against Japanese, Chinese and American inputs. Joining Europe meant they had to lower their inputs duty rates to the European level. Why continue manufacturing in Poland when you can go to China and import it from China into Poland. And the same thing happened in Romania and Bulgaria when joined Europe.

So, what we see is... in the negotiations, there is no... I don't know if is 'no' but at least the people who were sent over to Cancun, which is a really nice destination. Not at all.(...) In the negotiation of customers value (...) When you see certain developing countries entering the room and in the inside they have on technical topics. Because they don't understand but if we work in make...

It's not as black and white. When we negotiate for example international treaties. Industry which means our employment (...) we make laws protecting the (...) to the disadvantage of

the buyers. Look at the double taxation agreements. All the double taxation agreements have in common ... question differently. You have knowledge, so, where do you tax the revenue for all in the country of the inventor or in the country of the exploitation?

MJ: (...)

KV: So what all the double agreements say royalties have to be taxed in the country where the inventor is situated and not in the country where exploitation of that knowledge. So, what a developing country say is 'we take all the revenue from the income, deducted in the developing country because there is a deductible expense. (...) Lowering of taxable in the income country where we exploit everything and raising (...) where there is no **corruption** possible. And even if there is corruption when everything **is digitalized, it will always be found out**. Perhaps not today but maybe tomorrow or day after. And that's the only way to be efficient. Do not spend money advantages that in a normal competitive environment [hmm] if you look at it in that way you can understand why in Belgium one customer offers trades about 9 or 10 thousands customers (...) 400 € an hour?!?! That's much as four times than in Belgium.

MJ: So, the access to the money, the access to make the investments...

KV: Well, no ...they also told me in Belgium or in Spain you have legal. If we want to take a look at what (...) said. We have to a week in the arks of the court looking for the core sentences because there are not publications. Nothing! How is it possible to compete in such an environment when **a part of the world always is going quicker and quicker and quicker**. So, fortunately, there are not mobile phones and whatever that gives them some **cheap access to information and knowledge. Competent administration is very important. Competition a learning factor is really important. And some levels of honesty.**

MJ: Yes. Transparency as well.

KV: Yes transparency comes out from the same thing. Transparency means that you may become accountable for what you do for. And it is a mayor condition.

MJ: Yeah. Well, I am seeing that developing countries governments are helping them. What about the Belgian government?

KV: I personally and this is my experience from negotiating with customers in Africa. We are not afraid and we would like to open up to our Cameroon customers. The only reason why we want a **free trade agreement with Europe is to attract Chinese investors so they build plants in Cameroon employment for exports to the European Union.**

MJ: And come back to Belgium?

KV: We want to support the economy, we don't want to support the Chinese economy too colonize Africa...

MJ: Yeap.

KV: ...and there is where we cannot find an agreement. Second problem over there, they are all customer union organizations. Mmm? [some examples] What is the problem? So you have Cameroon together with Benin, Togo... and then you have four of these countries that have the status of least developing countries. So they already have zero access to the European Union except for (...) so they have complete free access to the European Union but they are in a customs union together with some more developing countries. You have to agree all of them on the same free trade agreement because the customs unions require a common outside border in free trade. So, even if we would agree, they never agree between themselves. Then I'm giving advantages to Cameroon and Togo and so on.

MJ: Ah, ok.

KV: Or, we'll go to do it better. Another was India. You have [x] and some great politicians that could move a philosophy and could mobilize people towards a common goal.

MJ: So they should think more in the long- term?

KV: Yeah. In the day by day life you don't have investment in the future...Then you get into a vicious circle where you are more and more indebted, more and more dependent. (...) There is one thing I have always admired [hmhm] regarding China, Korea and Japan, when we look at these countries in the 1950s (...) identity and a willingness. What I also admire they became members of WTO when there was fierce full competition.

The same conditions of competition if you lose every battle you face. (...)

Thanks to them, to Germany, Europe has a good economy because you got the exchange rate of the Euro down but you cannot devalue. So you can't regain competition [laughs] internally. But this is at a certain extent. I do understand that there is also political agenda. But in the economic level, I cannot understand why you would join a club which is one way direction. You have to open up. (...)

It is a challenging mission. How do we help? I think there are individuals who are concerned but I must also tell you we are working with tax payments money. Do people, let's say in Guinea-Bissau know that a region in Spain, because an entrepreneur from that region goes over there and tells the minister for that project and maybe it will be money for that project. I can offer you that project. And how the government or major justify the expense? By saying 'look at what we've done!' not like 'how we [hmhm]

MJ: Spent it?

KV: ... spent money over there! Yes! [laughs]

MJ: Yes about what you just said about Guinea...

KV: We go over there and we tell them. We could spend or invest money in your country.

MJ: ... because I realized....

KV: Officially, obviously it is prohibited. There are also agreements which we should not be bounded... And we should have the 'gift level', at minimum and so on...

MJ: I am not talking about the 'gift level', I'm talking more about the...

KV: How do you know that is money?

MJ: Yes, of course it is money. But it is more about a guy (...) it's true... but you ask to your dad and then later you go for advice somewhere else.

KV: **I would not go a step too far to say everything is connected, but after a while everything connects.** Because I have a limited view... I don't know, but after a while you meet the same people everywhere. And it's not because I chose to meet them simple because...

MJ: ...It is a circle.

KV: ...Yes, a circle moving around. [laughs] The same players that move around together in circles.

MJ: Aham. There are other factors as well...

KV: It is like that. It is very strange. I presume that you in Spain also like we have in Belgium, we have the school of management. And [x] in France. Very high reputation schools. Someone applies for a job with a diploma of that type of school and I never hire him/her. The old school mentality and the 'all know each other'... (...) And I see a lot of SMEs don't work with them because they don't have idea of the cost (...) huge part (...) They support each other as they come from the same circle.

MJ: I understand.

KV: **There is a lot of bribery** but you don't see that... I truly believe that but you don't see it in books. Why not? Because most of the people who are working on it don't have the time to write a book about that. (...)

And I hope there is more and more SMEs (...) You have multinationals and you have farmers. There is nothing in between. There is no middle class. (...)

MJ: ... with those consultants because of **culture**? Or because of **mind set**? I mean when you explain them the process of a project and they are no receptive or close to take your advice?

KV: Honestly no. Personally I think they don't tell me everything. I won't know to a certain extent. It is like inviting a foreign professor to university. A lot of students will say 'puf' but they will never tell that in your face. [laughs]

Secondly, I followed in an average Belgium that only eats French fries and chocolates and only drinks beer. Well, I have never met him! [little brochure/book about that topic] It doesn't exist. The average Chinese... in my opinion, the more I get to know, they don't exist either. It is true that you don't talk about Tiananmen. It is true that you never joke in Brazilians. Brazilians make jokes on themselves and you may laugh but you never make a joke on a Brazilian in his presence.

Selling is about being paid by a foreigner. And whatever you are Chinese, Romanian or American it is always the same basic principle: if I give you something I want money from

you. And you as a buyer only want to pay for goods you get. Because they didn't agree on a tariff (...)

I hope that there is a level of civil society that exists control... there are always exceptions. But corruptions, bribes... I step down. [Laughs]

That's for me the basic condition for development. That's the basic conditions for people. To be willing to invest more and more in what you have. (...) People have to take a risk. (...) If you want the entire environment to participate...

MJ: Yes, you also have to look at the future.

KV: You don't do it just for yourself but for the environment. (...)

MJ: Can you describe shortly since somebody or a company from South Africa ask you for advice. How they contact you?

KV: Simply by e-mail.

MJ: Then you check their projects...?

KV: Well, I am in the legal department. For example, a typical question is 'we have to ship goods from this point to that point. If something goes wrong who is responsible?' I give them an analysis of the probably outcome, so they know if the investment will be worthy. **In BFTA we don't charge fees. We believe experience you gather is experience as a plus and it should not quote for it. Obviously we are not created it for this; we are created to support Belgian companies. What we do over here, we talk what would be a good program, what would be topics for importers.** Really is much more complex. We help them in the level of documents required, import duties, export desk... [it is a website created by the European Commission specifically for having access to the European Union].

Recently for example, I had someone from Nigeria with a problem with a letter of credit in a Saudi bank. We made a short note and he took it to the bank and he got his money.

We have the same for payment techniques, which payment technique is efficient for you. And that is the star for investing in trade. (...) But **first they have to set in their own country for achieve development.** Have something to offer!

MJ: First in their countries...

KV: (...)

I have here [he showed me some books] about **fighting corruption on international trade**. We had a visit of the Minister of Justice in Belgium.

Everyone starts looking. We have now with ICC **anticorruption clauses** which are becoming more and more **mandatory in international contracts**. (..) Corruption is easy very easy when cash money is involved. (...) But, how do you fight corruption? You fight corruption by prohibiting cash payments and by eliminating the 500 Euros bill. (...) Always it will be a certain level of corruption obviously. (...)

Do you have other specific questions?

MJ: Well... I've already checked the mission of BFTA, your profile etc.

KV: In fact what we do is because the opportunity is there and because BFTA authorities it.

MJ: Well, it is ok. (...)

KV: I have been negative in the beginning. (...)

[End of the interview, other contact who is expert in developing economies was provided and I thank Mr. Vanheusden for his time and knowledge].

10.6. Appendix 6: The Belgian- Chinese Chamber of Commerce (BCECC)

Mr. Bernard Dewit and Mrs. Xiaoxia Shen invited me to Dewit Law Office for a talk on the 7th of August, 2013 in Brussels.



RE: Master thesis UHasselt- Cebrián, M.J. PDF: X

BCECC
to me 30 Jul (7 days ago) ☆ ↶

Dear,

Thank you for your mail and interest in BCECC. We apologize for the late reply; our Chamber was closed for its annual holiday.

After discussing internally, we think it is best for you to have a meeting with our Chairman, Mr. Bernard Dewit, to further talk about the topics of your thesis.

Mr. Dewit would be glad to welcome you for a meeting on one of these dates:
 Tuesday 06/08/2013 at 11.00
 Wednesday 07/08/2013 at 11.00
 Thursday 08/08/2013 at 11.00

Please let us know if one of these dates is convenient for you.

Thanking you in advance.

Best regards,

Audrey Félix
 Management Assistant
 Belgian-Chinese Chamber of Commerce (BCECC)
 Rue Washingtonstraat 40 * B-1050 Brussels
 From August 7, 2013 we will move to Avenue Louise 279 Louizaleen, B-1050 Brussels!
 E-mail: audrey.felix@bcecc.be * Tel: 02 345 25 54 * Fax: 02 649 04 39
www.bcecc.be
 THE ANTWERP FORUM - Linking business between China and Europe > 26 September 2013
www.theantwerpforum.be

Appendix 6a: Contact information

Mr. Bernard Dewit, Chairman BCECC and Lawyer- Member Dewit Law Office
Belgian- Chinese Chamber of Commerce
 Rue Whashingtonstraat 40, suite 408- 409, B1050 Brussels
 Tel.: +32 2 345 25 54
 Fax: +32 2 649 04 39
 E-mail: info@bcecc.be

Website: www.bcecc.be

Dewit Law Office

Place Albert Leemans 20, 1050 Brussels

Tel.: +32 (0) 2 343 13 60

Fax: +32 (0) 2 347 05 65

E-mail: dewit@dewitlawoffice.be

Site: www.dewitlawoffice.be

Mrs. Xiaoxia Shen, China Desk Manager

Place Albert Leemans 20, 1050 Brussels

Tel.: +32 (0) 470 975 445

Fax: +32 (0) 2 347 05 65

E-mail: xshen@dewitlawoffice.be

Mrs. Audrey Félix, Management Assistant BCECC

Avenue Louise 279 Louizalaan, B-1050 Brussels

Tel.: +32 (0) 2 345 25 54

Fax: +32 (0) 2 649 04 39

E-mail: audrey.felix@bcecc.be

Appendix 6b: Interview transcripts

BD: Bernard Dewit

XS: Xiaoxia Shen

MJ: María José Cebrián Tornero

MJ: [Brief introduction about myself and the context of my master thesis]

BD: Well, I would say you have a **certain number of organizations in the public sector in Europe which are helping foreign companies to come in. In Belgium, this sector has**

been regionalized. We have three regions and each is competent to attract foreign investment in their own region. For Flanders it is *Flanders Investment & Trade (FIT)* which is attracting people in Flanders. They work 2 ways: with the trade attaches in China and with the special office here in Brussels but working with the FIT offices of the different provinces.

Then you have the **provincial authorities**. Like in Limburg you have the POM in Limburg which is the Provincial Development Company. They are doing **efforts to attract foreign investment in order to have more people employed in the province and to help to the development of the province**. And Limburg is particularly active in that. [Some other relevant contacts were provided whilst Mr. Dewit introduced Mrs. Xiaoxia Shen who joined the interview as well]

MJ: Thank you so much, I will contact them depending on the time I have left.

BD: So, you have at the **level of the regions**, at the **level of the provinces**. Sometimes, you have at the **level of the city**. Some cities specifically are doing some efforts to attract foreign investment. (...)

At the **federal level**, we have **federal trade missions going abroad** which are usually headed by the King Filip every 3-4 years and many companies join. **It's to help these companies to penetrate the country, but also it is a way to expose the advantages for the local companies to come to Belgium**. For example, tax advantages and these kinds of things. By speaking about tax advantages, because there is a big competition within Europe, between the regions, the countries... **Every country is doing more effort** and they are now speaking about easing work permits for foreign investors. (...) So, there is a quite **competition**. The tax advantage is also important. In Belgium, taxes are run by the several Ministers of Finance. [hmhm] They are having regularly room shows (to explain the tax advantages in Belgium) around these countries to coming to Belgium for instance. (...)

That's a way for a country or a region to try to attract more people. At the federal level (with the taxes or the delivery of the residence permits), at the regional level (with the work permits) and at the local level. [hmhm] (...) **These are tools to attract interesting people, people who are ready to invest in Belgium to bring some knowledge or whatever.**

Concerning the investments in the country, I would say there are **two main forms**: one is investment in the form of **creating a company**. Or the second one, they **take over an existing company** which can be more interesting because you take over debts (which

means that for fiscal reasons that you will pay fewer taxes), a structure (you can start really quickly), etc. The only danger is that you don't to study carefully the company you are taking over because you can have hidden debts for instance. Then you have problems. **That's sometimes the problem for foreigners from the BRICS countries; they don't pay much attention to that.**

What do you have specifically with China? What is interesting also now is that until a few years ago the **Chinese government was not pushing Chinese companies to go abroad. Now, it is a new tendency** because we see it now for instance that **CCPIT is organizing once or twice a year big events to group Chinese companies... helping them going abroad.**

MJ: So, the **Belgian government is also helping and accepting that foreign companies are coming?**

BD: Yes, **yes they facilitate the access.** Well, as I told you, it is more the regional governments which are more active because of their competences to attract foreign investments. The federal government can only have some tax incentives, give an infrastructure... Help the foreign investor to find the right location, the warehouse or whatever. You see?

MJ: Yes, more like the basic resources or info to start.

BD: Yes, right. But **public sector is in some way limited.** They cannot always help you to make all the formalities, to find the right partner... then you need **to hire a private consultant** eventually to help you. That means that these **companies coming into Europe**, they need to have some **budget effort** and not think that everything is paid by the local authorities. You need time and money. **The ones that succeeded were well prepared, had a special budget...** I remember at the very beginning, several years ago, [hmhm] one Chinese company which came to Belgium to take over another company and they ask a Chinese restaurant owner to help them.

MJ: Yes, he was not an expert in the field.

BD: Yes. He was not a professional. **That means that you have to prepare, you need to do it with the right professionals.** If a Belgian company goes to China, they will need professionals to help them. **They should also be helped by local people.** They need

quickly to engage, to have someone Chinese, someone who speaks Chinese, who understands the mentality... If you want to go abroad, do the effort. Same thing if **a Chinese company comes to Belgium: first thing they should do is hire a local person speaking the language.**

MJ: Yeah. May I interrupt there? That's one of my questions. When they come from China for instance, they come sometimes with the wrong mentality. They think that if something is working in their countries, it might work here [Belgium and Europe] as well. However, there are some differences and they need to make the mistakes because they are not really willing to accept that they need this help.

BD: Yes, it is true. You are right. You learn from your mistakes.

MJ: So, do you see the same as a **barrier** for foreign companies?

BD: Yes, yes, yes. But that's the **problem of unprepared companies**. That's why now the **Chinese government is making some effort to try to train some companies that want to go abroad about intercultural problems, local environment and so on**. We [Mr. Dewit and Mrs. Shen] see that daily here people who don't have idea. And if you don't have a **good business plan**, forget it. (...) and normally, Belgium will not expedite a work permit for those. (...)

One big problem especially with China **is mentality and language**. When Belgium is going to China for negotiating, they need to have a **good interpreter** who knows the products, the technical words and who know how to explain that. [hmhm] The same for the Chinese coming to Belgium. **They need to have someone speaking good English at least**. Otherwise no one can understand them. (...) **The translation is important**. You see that also when you are negotiating a contract. When you have two versions of the contract, Chinese and English, and both are equally valuable. But you are not sure that the Chinese translation is exactly the same as the English. (...) **The intercultural dialogue is very important and sometimes and it takes time. And it is the problem for small and medium size enterprises**. (...) And sometimes it's the same problem when Europe going to China. [hmhm] They don't have much time because of the boss himself ... they don't have so much budget. (...) Then it is easier to do business with France than with Brazil or China. (...) **What we see also sometimes, big companies can play a leading role and attract smaller companies.**

MJ: Yes, like followers. What about the **social and business networks** in China or other emerging countries? Sometimes they use and trust them for internationalizing, to check if there are good opportunities abroad, no?

BD: Yes, for the Chinese especially. That's a good remark and that's existing. **The only danger of that is the lack of professionalism when relying in networks and family** [hmm] but the advantage is people trust and it is good if that cousin has been a long time in the country and knows it. But if the cousin has a Chinese restaurant and knows very little about the local language, it can be not a great help.

MJ: Yes. Can you explain me a little bit more about the services BCECC offers?

BD: Accountancy and ... but you have the big five (Deloitte, KGPM, PwC, Ernst & Young and Cooper) which provide the same but they usually are for big companies because their services are quite expensive. (...) So **we have accountants, lawyers** (for the diligences, consultations...), **marketing specialists** ... because you are coming to Belgium with a product, are you sure the people will buy it? How people will buy it?

MJ: Yes and sometimes they have to adapt it for the European or Belgian regulations or just culture. They must customize it because the preferences of the customers in Belgium differ.

BD: Yes, or taste. For example, sometimes when we sell some chocolates in China, they don't taste as they do in Belgium and the same for the Chinese food in Belgium for instance. **You have to adapt it.** (...)

MJ: Do you have more services?

BD: (...) **Interpreters.** I give you a concrete example. My law firm. We have an office in Beijing and they tell us that a company is interested to come to Belgium. They ask us to do the formalities here. We need someone that communicates with them in Chinese, it's really important. We will check what they want and in function of that we will do some contacts. We help them with the local and regional authorities, the business centers (...) you cannot just speak a few words of Chinese. No. **The company must have the feeling that they are understood.** Like if you go to China to open a company, **you need a local person there**, you feel more comfortable. That local person will tell you do this, or be careful with that... **there is a complicity in language.**

MJ: Yes, you **trust** them more.

BD: However, **just very few Chinese companies have the budget to pay services. They expect it to be free of charge. That's a problem.**

MJ: Yes, they come with the mindset that they share freely information and advice and they are **not really willing to pay for advice**. For them it's just words in the end.

BD: Yes, yes of course. If they can go to a restaurant, get a good meal and pay for it. But for an advice that doesn't cost anything for them. (...) It takes time to get it.

XS: Yes, that mentality is changing a bit now [the mentality of paying for services and advice].

MJ: Yes, they should realize that things here work different.

BD: Yes, yes, they come here and they learn from their first mistakes. As we have learned from our mistakes in China.

MJ: And do you work with other emerging countries like India for instance?

BD: **We work mainly with China but we have sometimes other countries.** We have right now a Bulgarian bank coming to Belgium and **we have to make the formalities for them to set up.**

MJ: What about the other emerging countries comparing with china?

BD: **I think India will come. They have some big projects coming.** But maybe you should ask the Commercial section of the Indian Embassy but it's not that easy.

MJ: Yes, yes. I know that. That's why I am mostly now focusing on China and trying to be open to any kind of information. Later on I will try not to generalize the outcomes for all the emerging countries. I will try to point out what mainly happens in China. What about other **challenges or barriers** firms from emerging countries might face?

BD: the language, the stay permit. (...) **if a foreign company wants to come, Belgium is happy to welcome they only thing is that they have to employ local people.** We have to fight against unemployment. **They cannot come with 1 000 people from China and no one from Belgium.** That's the same from many European countries. **That is one challenge Chinese companies might face.** The second **challenge is the higher salaries and the**

social security in Belgium. They have to take that into account in their business and financial plan.

You should know as well that **Chinese are the champions for negotiating.**

MJ: Really?

XS: Yes, it is in their habits.

BD: They are really strong. If you are dealing about a price of a service for €100 for instance, the Chinese will start negotiating for 50. Then you will realize "I'm losing money for that", and the time you realized, you have already said yes. So that's the **danger**.

MJ: Well, a danger for the companies in Belgium or Europe. For them [the Chinese] it is a really good advantage.

BD: Yes, **sometimes we have to be really strong** and say "Sorry, we cannot do it under that price". (...)

MJ: I read that you organize many events and seminars etc. Can you give me a further explanation about that?

BD: The purpose of the Chamber is to help Chinese investments at the moment. But there are not many. There are more in Germany.

MJ: Yes, but Chinese companies are coming. Maybe in 20 years we will see a complete different picture.

BD: Yes, that's right. **Now, there are more companies eager to move.**

MJ: So the meetings, symposiums... are to connect companies and other institutions with companies...

BD: Yes, we have right now more than 650 members (more Belgian than Chinese) and some specific projects with Germany, France or UK. (...) that's the purpose, to connect them, we have also some technical seminars (...) Belgium to china we co-organize, and we have an office in Cheng Du in the Western part of China. **The part the purpose of our office there is to help some Belgian companies to go to the Western part of China and also to attract some companies of the Western of China to come to Belgium.**

MJ: Ah. Good. And is it working well?

BD: Well [hmhm]. It takes time and once in a while there are some projects. We also favor contacts with universities and other relevant people and institutions.

MJ: Well, one last question. When you are dealing with Chinese and they are strong in negotiation as you said. What do you do to solve this?

BD: (...) Very often we have a request from a Chinese company. **If you explain in full detail and you send it to them. You will never hear of them again. BCECC will give some general advice but not going into detail**, we will give full detail if there is an agreement. Otherwise we will provide the know-how for zero. **It is different if you are from the public sector and they have to provide all the information. But at one moment, they will have to pass the job to private professionals.**

MJ: Well, more or less that's everything I wanted to ask. I don't know if you have some more comments.

BD: You know there are some Spanish companies doing well in China... but for that you will need to learn Chinese.

MJ: Do you think if we want to go there we will have to learn Chinese? Or they will learn more English because of the difficulty of Chinese?

BD: No, no. **If you go to China you will need to speak Chinese.** There are many young people now that are learning Chinese. **The problem is the time when you could work as an expatriate in China, finished.**

When do you have to present you thesis? And how long are you spending in the master and what are you doing after that?

MJ: [I explained]

BD and XS: [Some suggestions, advices and explanations about Brussels were given]

BD: Hope you have a really good interview with CCPIT. Then also you can say you meet two people from BCECC.

MJ: Yes, yes, I will write it down. Thank you very much for the meeting, for sharing all this information and new contacts with me. I will send you what I wrote for reviewing it.

BD: Perfect and good luck!

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Cebrian Tornero, Maria Jose

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