

Drivers, Success Factors and Difficulties of Internationalization Towards China and Japan for Dutch SMEs.

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ABSTRACT

This research is conducted for analysing the main drivers, main success factors and main difficulties of internationalization towards China and Japan for Dutch SMEs. Furthermore, it analyses the differences between the Dutch culture and the Chinese and Japanese culture. The core purpose of this research is to identify critical factors that affect the internationalization process, which can be made use of by SMEs located in the Netherlands that want to internationalize or that want to become more familiar with China and Japan in a business context. This exploratory study tries to define internationalization, show the position of SME companies in the Netherlands and their international scope and to identify the influencing factors of internationalization. In order to gather this information, a qualitative research will be conducted. Multiple semi-structured interviews with managers from companies that have internationalised to Japan or China are conducted to collect important data on critical factors. The main drivers of Dutch SME companies are Pioneering and Fear of Missing Out. The main success factors for internationalization are Preliminary Research, Intercultural Competence, Government Collaboration, Local Partner and Trust. This research shows a visual representation of the large differences between the cultures by outlining the dimensions of Hofstede for each of the cultures. The Intercultural Competence factor is needed to cope with these large differences and know how to be respectful in foreign countries. The main difficulties of Internationalization are characteristics of the Dutch culture, namely: Underestimation and Arrogance shown by Dutch companies. A Dutch company should try to avoid acting in this way and be aware of the different culture in either China or Japan. For the SMEs companies specifically, financial resources can be a problem, because internationalization can be quite costly. To overcome this, they can make use of governmental support offices or embassies.

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Keywords

SME, Internationalization, Globalisation, Culture, Critical Success Factors, Asian Business

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1. INTRODUCTION

1.1 Dutch SMEs Going Global

The Netherlands has been a trading nation for centuries, doing business and trading with countries all over the world. In 1621, The Netherlands founded two of their largest trade companies of that time, the East-Indian Company and the West-Indian Company, with which they dominated the international trade in goods in the 17th century, which is also called the 'Dutch Golden Age' (CBS, 2018). The pioneering of these trading companies in these early days still form the basis of the international scope of many companies nowadays in the Netherlands. In the last century, our export to various countries in the world grew exponentially as well. In 1917, the Dutch Central Bureau of Statistics started registering the international trade of the Netherlands. In 1917, the total worth of our export was 0.4 billion euros, which grew to a impressing 469 billion euros in 2017 (CBS, 2018). The SME companies in the Netherlands are responsible for 62% of the total export, independent SMEs in the Netherlands are responsible for more than a quarter of the total export (CBS, 2016). Around 2.12% of the total export of goods is going to China (RVO, 2019). China is the second largest economy in the world since 2010, and is still growing annually with an average of 6.9% GDP growth (Worldbank, 2019b). It is no wonder that companies in the Netherlands see China as a huge potential market for export, offshore production or delivering services. China is much more open for doing international business and trade after joining the WTO in 2001, which is an important aspect when looking at international possibilities for SME companies in China (Hessels, 2005). According to CBS (2018), export to Japan from the Netherlands is 0.91% of the Dutch total export. Japan is the third largest economy in the world and its economy is growing less than China, with an average of 1.7% (Worldbank, 2019b). In 2018, the EU and Japan have signed the largest trade agreement and strategic partnership in the world, which boosts the international trade between Japan and the countries in the EU, including the Netherlands. Japan and China, the second- and third-largest economies in the world, are interesting countries to internationalize to for Dutch companies. What are the main reasons that Dutch SME companies are willing to start internationalizing? If they try to internationalize, how do they experience this? What are difficulties and what turns it in a success? With this research, we will try to answer these questions.

1.2 Research Gap

By comparing the Netherlands with the countries of China and Japan, collecting practical evidence from Dutch companies and former researches about this topic, this research aims to find out what Dutch SME companies should keep in mind when internationalizing to these countries, thus the main research questions emerges:

What are the main drivers, critical success factors and main difficulties of SME's Internationalization towards China & Japan?

To answer the main research question, we first have to look at the subsections that will help to strengthen our

arguments at the end of this research. The sub questions are the following:

- (1) *What are the main differences between the Dutch culture and the Chinese and Japanese culture?*
- (2) *How are Dutch SME companies represented in the Dutch Business Environment and the Dutch export?*
- (3) *What are the main drivers of Dutch companies that want to- or have internationalized to either China or Japan?*
- (4) *What are factors that make internationalization towards China or Japan a success?*
- (5) *What are the main difficulties that companies have to overcome when they internationalize to China or Japan?*

1.2.1 Academic Relevance

Because of new technological innovations, the perceived distance between The Netherlands and countries far away, has diminished a lot. It increases our knowledge about countries far away from us, we can communicate easier with these countries and ultimately, do business with them easier. Dutch companies are looking beyond their own borders now, resulting in a significant growth in export, the total export of the Netherlands was 73.3 billion dollars in 1980, and grew to an impressive 402 billion in 2015 (OECD, 2019). Lots of research has been done on SME companies, about their structure, strategies, importance for the economy and internationalization strategies. It's not that strange that this has been researched a lot, as 99% of Dutch companies can be categorized as SMEs. The internationalization of SMEs has been researched, but most of these researches were focusing on the broad concept of internationalization without a location focus. The specific geographical focus of internationalization of Dutch SMEs towards Japan and China makes this a unique research topic, moreover it will consist of practical evidence collected from Dutch companies. In this research the main drivers, success factors and main difficulties of the internationalization will be researched, which has not been researched together in one research till now. The research will also consist of an extensive comparison of cultures, it gives a definition to internationalization and discusses the international behaviour of Dutch SMEs. It could be very interesting to see how Dutch SMEs, which are operating in very different cultures and a totally different environment, successfully practice business with Asian companies.

1.2.2 Practical Relevance

One of the interviewees that is collaborating for this research, Stage-Global, is a Dutch SME that has an interest to internationalize towards China and Japan. Most of the markets in Asia are emerging markets and are growing exponentially, so there are great opportunities for Dutch and European companies to take. For smaller companies in the Netherlands, it will be very interesting to see which factors have a positive- and which factor have a negative influence on the total internationalization process. This research should give companies a first glimpse of what to do and not to do while working together with Asian companies,

especially in the preparation phase before internationalization. The goal of the research is to give SME companies an idea why companies want to internationalize towards Asian markets and how they can turn it into a success. It will not be a handbook of how to enter these markets though, but it should give practical and theoretical evidence on the main research question. It should help them to prevent making mistakes in the beginning and start well-prepared and informed on their internationalization plans.

2. THEORETICAL FRAMEWORK

2.1 Internationalization Defined

In order to get a good view on the internationalization of companies, we first have to define the concept of internationalization. The term internationalization is sometimes called the same as globalization, which isn't quite the same, yet these terms are related. Globalization is defined as "the compression of the world and the intensification of the consciousness of the world as a whole" (Robertson, 1993). Several researchers have tried to define the term, but there is still not a universally accepted definition of Internationalization at this moment (Coviello & McAuley, 1999). Internationalization can be seen as "The consequence of a process of incremental adjustments to changing conditions of the firm and its environment" (Johanson & Vahlne, 1977). Thus, the concept of internationalization is actually a consequence of the phenomenon called globalization. Another researcher that has tried to define the concept of internationalization defined it as follows: "Internationalization is seen as a pattern of investment in foreign markets explained by rational economical decisions based on economic analysis of ownership, localization and internationalization advantages" (Dunning, 1988). A third definition is "the process of adapting firms operations (strategy, structure, resource, etc.) to international environments" (Calof & Beamish, 1995). When you compare these three definitions of internationalization, you see that they are much alike. They all talk about the adaptation of your business because of changing international environments. To further look into the term internationalization, two theories are further looked into in this research. The two theories we will further define are Process Theory, also called Uppsala model (Johanson & Vahlne, 1977) and the Eclectic/Economic Theory (Dunning, 1988).

2.1.1 The Uppsala Model

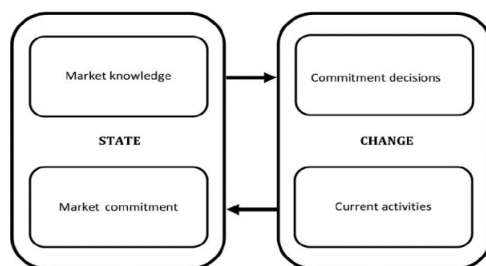


Figure 1: The Uppsala Model (Johanson & Vahlne, 1997)

In figure 1, the Uppsala model is shown, which has been made by Johanson & Vahlne (1990), with this model these researchers wanted to make a basic model that could be used to explain all steps in the internationalization process. There are two different forms of internationalization aspects in this model: state aspects and change aspects. The state aspects are the knowledge about foreign markets and operations and the change aspects of this model are the resource commitment to the foreign markets (Johanson & Vahlne, 1977). According to Johanson & Vahlne (1977), "Market knowledge and market commitment are assumed to affect both commitment decisions and the way current activities are performed, these activities change knowledge and commitment. The market knowledge aspect is important because the commitment decisions are always based on knowledge of opportunities or problems. This initiates decision making. There are two types of knowledge according to Nonaka (1991),:

- *Tacit knowledge*: knowledge that we can acquire through experience, learning by doing.
- *Explicit knowledge*: Knowledge that can be easily transferred from one market to another.

The market commitment aspect consists of two factors, according to Johanson & Vahlne (1977), the amount of resources committed and the degree of commitment. Johanson & Vahlne (1977) appoint the aspect of current activities as the prime source of experience. The experience or 'know-how' could as well be possible to gain by hiring new, skilled personnel. But overall, this 'know-how' and experience because of current business activities is an important aspect of the internationalization process. According to Johanson & Vahlne (1977), "this factor is an important reason why internationalization processes often proceeds slow", which is because new required knowledge for new business activities can't be acquired in a matter of days. The final aspect of the Uppsala model and the second change aspect is commitment decisions. This aspect is a result of the state aspect of market knowledge. If a company has enough market knowledge, it can decide to make decisions about committing themselves to internationalize.

2.1.2 Eclectic/OLI Paradigm

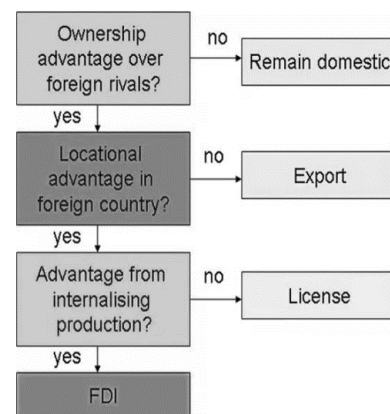


Figure 2: Eclectic/OLI Paradigm (Dunning, 1988)

There are many ways to internationalize with your companies. This can be done by creating a joint venture, a strategic alliance or licensing and many more. The eclectic paradigm, also known as the OLI paradigm, is written by Dunning (1988), helps excluding some of these internationalization strategies. OLI stands for Ownership-, Location-, and Internationalization advantage. According to Dunning (1988), a company will need all these three advantages to be able to successfully internationalize. In this paradigm, three questions are stated that a company can ask themselves to know what is best for them. The first advantage is about the competitive advantages that a particular company has over its competitors. If this is the case, looking at figure 2, they are one step closer to internationalization success. If they do not have any competitive advantages, it is better to remain domestic. The second step in this paradigm is the locational advantage. This refers to the alternative countries that a company can use to benefit from low cost labour or low cost of raw materials (Dunning, 2000). If this isn't the case, you can try to export your products to that particular country and thus, internationalize. But if you do have a locational advantage in that particular foreign country, there is one advantage left that is needed to be able to engage in foreign direct investment. If you are able to internalize your production to that foreign country, which means that you will have a reduce in transaction cost, control over operations and avoid trade tariffs and other barriers, then you should consider foreign direct investment and set up a factory or an office in that place. If this isn't the case, you can still make use of the country's locational advantage by licensing with a foreign country. In total, this paradigm can be interesting for companies to see whether internationalization is possible and what type of internationalization fits their company best. For Dutch SME companies, it is interesting to look at their competitive advantages and see if internationalization is really worth the commitment and investment.

2.2 Internationalization of SMEs

In this subchapter the definition of SME in the Netherlands will be analysed, the position of SMEs in the Netherlands and this chapter will show how international oriented these SMEs are.

According to the Netherlands Enterprise Agency, the RVO (2019), companies are categorized as Small- and Medium Sized Enterprises if they have less than 250 employees and an annual turnover of less than € 50.000.000, or companies with less than 250 employees and less than € 43.000.000 total assets. According to Chong et al. (2019), "an enterprise bundles a coherent set of business activities leading to the production of a set of goods and services and may consist of more than one legal entity". Chong et al. (2019) further notes that enterprises should be considered an SME when the enterprise group has less than 250 employees and meet the other requirement written at the start of this subchapter. In addition to this, enterprises of which the controlling institution is located outside the Netherlands are always considered to be part of a large multinational enterprise and thus are not seen as SME. The demarcation of SMEs is outlined in Figure 3.

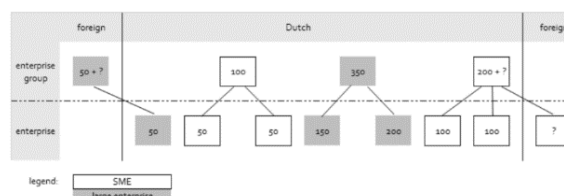


Figure 3: Demarcating SMEs (Chong et al., 2019)

What about the position of SMEs in the Dutch business landscape? According to a report of the Dutch Chamber of Commerce (2018), in 2018 there were 1.901.397 active enterprises, and 442.529 of them were SMEs, without counting the sole proprietorships. Most of the companies in the Netherlands are sole proprietorships, but they fall as well under the collective name of SME. Together with the sole proprietorships, the SME are 99% of the total companies in the Netherlands. SMEs are responsible for 60% of the value creation, and 72% of the total employment (Goddijn et al., 2018). It is well-known that SMEs are trading less on international markets compared to large firms and multinational companies, a reason for this could be the less amount of financial resources. However, many countries, as well as the Netherlands, have specific policy instruments that help such companies with barriers of internationalizing their business activities (Wymenga et al., 2013). The Netherlands has 34 official support organizations that provides support and information for SMEs that wish to internationalize (Wymenga et al., 2013).

The Dutch Central Bureau of Statistics showed in their SME internationalization paper that all SME companies together are responsible for 62% of the Dutch export, and this share has been constant for years (CBS, 2016). That's why the SME are sometimes called the motor of the Dutch Economy. In numbers, 90.100 companies have currently internationalized and are exporting products abroad or delivering a service. In the yearly internationalization report it is interesting to see that the average worth of export for an independent SME averages around € 900.000 a year, whereas Dutch SMEs that are owned by a foreign company have an average worth of export of € 16.000.000 (CBS, 2016). This large difference can be explained by the higher amounts of financial resources available because of their large enterprise group and more knowledge and know-how. Between 2010 and 2015, the amount of export realized by SME companies grew fast, with 10% in five years. What caused this growth? According to CBS (2016), the entrance of new SME companies that have internationalized made the largest contribution to this growth. Thus, the number of SMEs that are internationalization is growing. Most of the SME companies in the Netherlands export to other countries within the EU, and most export is made to Denmark, Belgium, Germany and Poland (CBS, 2016).

2.3. Analysis of Cultures

In this part of the theoretical framework insights are given about the Chinese and Japanese culture in a business context. To understand the concept of culture better, it first needs to be defined. What is culture? One of the most respected researchers in cultural theories is Geert Hofstede. He defines the concept of culture as 'the collective programming of the mind, which

distinguishes the member of one category of people from another' (Hofstede, 2011). Edgar Schein, a respected researcher in the field of organizational and corporate culture, describes culture as 'a pattern of basic assumptions that is taught to new group members as the correct way to perceive, think and feel in relation to a group's problems' (Schein, 1992). Where does culture come from? According to Schein (1992), culture comes from beliefs and values of the founders, learning experiences of group members, and new beliefs and values brought to the organization by new members. In order to understand the critical differences between Dutch culture and the culture in China and Japan, the cultures are compared with each other using the six dimensions of culture outlined by Hofstede. The definitions of the dimensions are in table 1.

Cultural Dimension	Definition
Power Distance	<i>"Power Distance has been defined as the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally"</i> (Hofstede, 2011).
Individualism vs. Collectivism	<i>"Individualism describes cultures in which the ties between individuals are loose, whereas Collectivism describes cultures in which people are integrated into strong, cohesive groups that protect individuals in exchange for unquestioning loyalty"</i> (Hofstede, 1991).
Masculinity vs. Femininity	<i>"Masculinity pertains to cultures in which social gender roles are clearly distinct, whereas Femininity describes cultures in which social gender roles overlap"</i> (Hofstede, 1991).
Uncertainty Avoidance	<i>"Uncertainty Avoidance indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations"</i> (Hofstede, 2011).
Confucian Dynamism	<i>"Confucian Dynamism denotes the time orientation of a culture, defined as a continuum with long-term orientation and short-term orientation as its two poles"</i> (Hofstede, 1991).
Indulgence vs. Restraint	<i>"Indulgence stands for a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun. Restraint stands for a society that controls gratification of needs and regulates it by means of strict social norms"</i> (Hofstede, 2011)

Table 1: Hofstede's Cultural Dimensions (Hofstede, 2011)

2.3.1 Dutch Culture

The Dutch culture will first be described using the six cultural dimensions by Hofstede (2011). The data is retrieved from the Hofstede Insights database and shows a score of 1-100 on the six dimensions that are described in Table 1. The most interesting information that can be gained from the Dutch culture, also shown in figure 4, is the high score on individualism. It shows that the Dutch culture is highly individualistic, thus people are mainly looking after themselves and direct family. They are rather independent. Another individualistic characteristic that

is part of the Dutch culture is saying what you think. Lewis (2006) also confirms this in his book, to empathize with the Dutch, you always have to be honest. The second dimension that characterizes the Dutch culture is the low score on masculinity-femininity. This means that the Netherlands is therefore a feminine society. This implicates that for instance, which is also outlined in the work of Hofstede (2011), in this society it is important to keep the private life and work balanced, people value equality and conflicts are resolved by compromise. The last dimension that is interesting to see is the power distance. In the Dutch Culture, the power distance is rather low, which implicates that there are equal rights in this culture and overall the power is decentralized. The low score on power distance shows that communication with managers are informal and on first name basis (Hofstede, 2011).

2.3.2 Chinese Culture

China is at this moment the world's most populated country, with a growing population that almost reaches the point of 1.4 billion people. It is not only the world most populates country, but it is has also the oldest civilization, formed over 5,000 years ago (Lewis, 2006). For two millennia the Chinese empire occupied most of the surrounding countries, for instance Korea, Vietnam and others, which resulted in a spread of Chinese culture throughout East Asia (Lewis, 2006). According to Lewis (2006), "China sees herself as *Chung-Kuo*, the middle kingdom, the centre of the universe and the world's oldest culture and society" (Lewis, 2006). And according to the information above, they are not totally wrong about that. Some of the main values have been outlined by Lewis (2006): modesty, patience, respect for elderly, loyalty, family closeness, respect for hierarchy, pride and friendships.

To understand the Chinese culture better, first have to define the main characteristics of this culture. The main characteristics of the Chinese culture are Confucianism, Collectivism and Guanxi (Cooke, 2009). Guanxi is one of the major dynamics in Chinese society, which binds millions of Chinese firms into a social and business web (Redding, 2006). The meaning of Guanxi is interpersonal linkages with the implication of continued exchange of favours, it includes reciprocal obligations to respond to requests for assistance. (Redding, 2006). Thus, it can be described as the way relationships are maintained in China by giving gifts and favours to each other. To understand the concept of guanxi, we have to take a look at Confucianism as well.

In Confucian ideology, there are five relationships, namely: ruler-subject, father-son, older brother-younger brother, husband-wife and senior friend-junior friend, and the Chinese believe that the disorder, crime, and lack of societal responsibility in many Western countries is the result of not observing these relationships (Lewis, 2006). Confucianism is a highly formal cultural system, requiring each actor to perform his or her role in such a way that he or she says precisely what he or she is supposed to say, and does not say what he or she is not supposed to say (Yang, 1994).

The basic teaching of Confucianism is summarized by Lewis (2006) as follows:

- Observe and respect unequal relationships
- The family is the prototype of all social organization. We are member of a group, not individuals
- We must behave in a virtuous manner toward others
- Education and hard work must be prized
- We should be moderate at all time, stay save, calm avoid extremes and shun indulgence.

Next to the presence of guanxi and Confucianism, collectivism is also a strong characteristic of Chinese culture. According to Hofstede (2011), ‘in collectivist cultures people are integrated from birth onwards into strong, cohesive in-groups, often extended families that continue protecting them in exchange for unquestioning loyalty and oppose other in-groups’.

What should be done to empathize with the Chinese in a business context? Some remarks by Lewis (2006):

- Chinese place values and principles above money and expediency.
- Show respect for their Confucian views, outlined in this chapter.
- Have one or two individuals in your delegation that speaks fluent Mandarin.
- Show reliability through deeds, they only do business if they fully trust you.
- Gift-giving is an important feature in business relationships, which is part of Guanxi.
- Never rush Chinese Business Partners, stay patient and calm.

2.3.2 China vs. The Netherlands

By comparing the culture of the Netherlands with that of China, we can understand the differences better and estimate what the impact on internationalization success this can have. To compare the cultures, the six dimensions outlined by Hofstede (2011) are used, the scores of both cultures can be found in Figure 4.

When you analyse both cultural dimensions score and plot them next to each other, you quickly see that they differ a lot. This shows us that the cultures are quite different from each other, but what makes these cultures so different? If we look at figure 4, we see that the dimensions that are closest to each other are Uncertainty Avoidance and the Confucian Dynamism (Long-Term/Short-Term Orientation). Regarding the Uncertainty Avoidance, The Netherlands has a small preference for avoiding uncertainty, whereas in China they score quite low on this dimension. According to Hofstede (2011), people in low uncertainty avoidance cultures, are more flexible in their rules and not everything is turned into a written or unwritten rule to avoid all uncertainty. The most interesting to see in Figure 5 is the difference between The Netherlands and China on basis of the first three dimensions. Firstly, Power Distance, as opposed to the Netherlands, is high. This means that inequalities are accepted and there are more subordinate-superior relationships, which is also seen in the five relationships of Confucianism in subchapter 2.3.2. Secondly, the high score on collectivism shows that China has a highly collectivistic culture. They rather act for the interest of

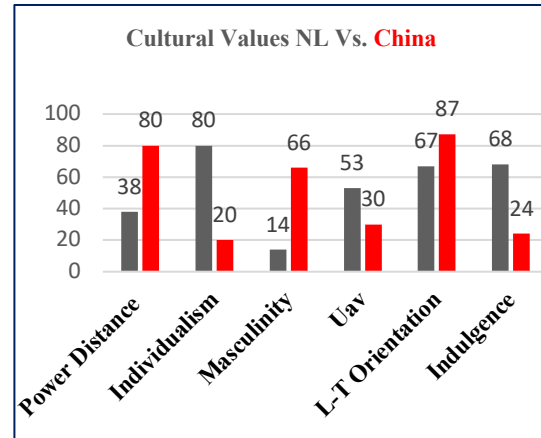


Figure 4: Cultural Dimensions Score NL vs. CHN (Hofstede Insights, 2019)

a group and share a ‘we’ thought. This is the opposite of the Netherlands, so this is definitely something to keep in mind for Dutch companies that want to internationalize to China.

Thirdly, there is a high score on Masculinity in the Chinese culture. According to Hofstede (2011), this culture is success-oriented and driven, many Chinese people will sacrifice family to work. To summarize, the Chinese culture differs a lot from the Dutch Culture in most of the dimensions, as a Dutch company the first three dimensions should be considered prior to internationalization. It could potentially lead to problems if you don’t adapt to their culture.

2.3.3 Japanese culture

Japan, in Japanese called ‘Nippon’, which means state of Japan, is an island country in East Asia. The country has a population of around 126,7 million people, more than 7 times the population than the Netherlands (Worldbank, 2019a). Economically, Japan suffered several economic crises during most of the 20th century, but is beginning a transformation to a more liberal economic order, taking advantages of its rich natural resources, for example liquefied natural gas, coal and oil, and because of an exponential growth of highly literate people and their diversified industry (Central Intelligence Agency, 2019). This is also seen in the Annual GDP growth of Japan with a GDP growth percentage of 1.9% in 2017, and an average of 0.7% growth in the forthcoming years (2019-2021) (World Bank, 2019b). The most prominent religions are Shintoism and Buddhism, which is also reflected in their culture (Park & Luo, 2001). According to Lewis (2006), the Japanese are culturally very different from anyone else, this is derived probably from three factors:

- Their history of isolation
- Crowded conditions imposed by their geography
- The Japanese Language

Lewis (2006) noted in his book that in comparison with western children, which are encouraged to be more independent at young age, Japanese children are encouraged to be dependent on those close to them and remain dependent on them most of their lives. “The Japanese are part of groups, the first group being their family and later on it becomes high school, then

university, then the company”(Lewis, 2006). Elderly are responsible for the younger and protection can be demanded by the young from the elderly (Lewis, 2006). Some of the values that Lewis (2006) outlines in his book are: Ultra-honesty, shyness, hospitality, sense of honour, ultra-politeness, punctuality, uneasiness with foreigners. For instance, when they bump into each other, they apologize immediately, and they are very punctual, resulting in always turning up 15 to 20 minutes early for appointments (Lewis, 2006).

What should be done to empathize with the Japanese in a business context? Some remarks by Lewis (2006):

- Be very polite at all times. Apologize several times a day for a rudeness you have not committed.
- Flatter them a lot and show great respect for their company.
- Everything you say the Japanese will take literally, so don't use sentences as 'This is killing me'
- Never say 'No' or 'It's impossible', if you disagree, just be silent
- Don't be too direct.

2.3.4 Japan vs. The Netherlands

By comparing the culture of the Netherlands with that of Japan, we can estimate to what extent cultural differences can have an influence on internationalization success. Comparing the cultures will be done using the six dimensions outlined by Hofstede (2011), the scores of both cultures are shown in Figure 5 below.

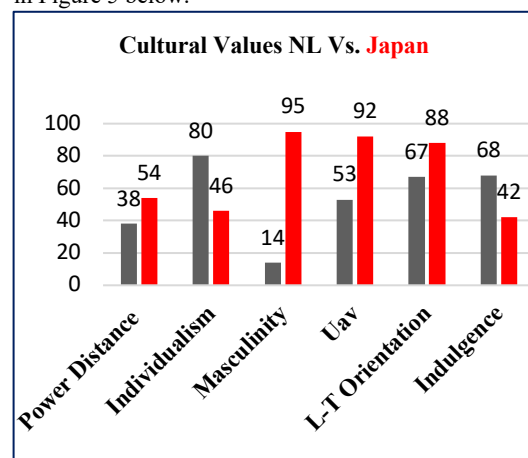


Figure 5: Cultural Dimensions Score NL vs. JPN (Hofstede Insights, 2019)

Once again, same as in previous subchapter, you see that these cultures differ a lot from each other. But there are less differences between the Netherlands vs. Japan than vs. China. If you look at Figure 5, you see that one dimension immediately stands out of the rest. The third dimension, Masculinity-Femininity, is the opposite of the Netherlands for Japan. Japan has a highly masculine culture, which indicates that the “society will be driven by competition, achievement and success, with success being defined by the winner in a field – a value system that starts in school and continues throughout organizational life” (Hofstede, 2011). With a score of 95 on this dimension, it is one of the most Masculine cultures in the world. In the Japanese culture, this masculine dimension is most

visible in the competitiveness of the Japanese, which starts already from their youth in kindergartens (Hofstede, 2011). The Japanese even have a word for extreme workaholism, Karoshi, which literally means ‘work to death’, and it is a serious problem in this country. In one of four organizations, it occurs that people work 80 hours overtime per month (van der List, 2017). Between March 2014 and March 2015, the court categorized a number of 1456 deaths as ‘Karoshi’ (van der List, 2017), Japan is now working hard to reduce working overtime at companies and they are trying to get rid of the extreme working culture. The second dimension that deviates a lot from the Dutch culture, is the fact that Japanese are much less individualistic as the Netherlands. It is not as collectivistic as China and other Asian neighbours though. As stated in subchapter 2.3.4., Japanese people are quite dependent on their group, and they put the harmony of the group above the expression of individual opinions (Hofstede Insights, 2019). The last dimension that deviates much from that of the Dutch culture is Uncertainty Avoidance. Just like the masculinity dimension, Japan scores very high on Uncertainty avoidance with a score of 92. According to Hofstede Insights (2019), the Japanese have learned to prepare themselves for any uncertain situations, as it is constantly threatened by natural disasters from earthquakes, tsunamis, typhoons and volcano eruptions. The high score on Uncertainty Avoidance can also be seen in business, in Japanese companies always strive to have full control over their processes and prevent failures from happening. One of the main theories about the prevention of failures is the Poka-Yoke theory by Shigeo Shingo in the 1960s. “The essential idea of poka-yoke is to design your process so that mistakes are impossible or at least are easily detected and corrected” (Robinson, 1997). Overall, the Japanese culture differs a lot from the Dutch culture. Dutch companies should keep in mind the most deviating dimensions, thus the masculinity, uncertainty avoidance and the fact that the Japanese culture is more collectivistic. Uncertainty avoidance is the most interesting for Dutch companies to be aware of, as Japanese companies will always try to have zero defects in all of their business processes. This means that they won't easily do business with you, they need to be a 100 percent sure that you can deliver without any failures. This relationship is based on trust and loyalty, two values that are highly appreciated by the Japanese.

3 RESEARCH METHOD

In order to find out the best practices of internationalization towards Japan and China for Dutch companies, an exploratory research will be conducted, which will be done by collecting qualitative data. Since there has not yet been done research on the success of these internationalization projects of Dutch SME companies, many influencing factors are still unknown. With the help of qualitative research, new, unknown factors can be identified and added to existing factors that are already described in previous research about internationalization. The theoretical framework of this research consists of 3 topics that are relevant to this research, namely: Internationalization, Small-and Medium Sized Enterprises and Cultural theory. By describing these three topics, the

internationalization process will be outlined, we understand the role of SME companies in the Netherlands and their international scope and we understand the differences in Culture between the Netherlands and China/Japan better. Main sources that are used for this research are business journals, internationalization reports written by the Dutch Central Bureau of Statistics, and academic papers, which together give an overview of the current situation of Dutch SME's Internationalization.

Primary data will be collected in the form of multiple semi-structured interviews and structured interviews. What are these so-called semi-structured interviews and why do we use this kind of data collection for this particular research? "A semi-structured interview is designed to have a number of interviewer questions prepared in advance but such prepared questions are designed to be sufficiently open that the subsequent questions of the interviewer cannot be planned in advance but must be improvised in a careful way" (Wengraf, 2001). We use this approach because we want to collect the experiences of the interviewees that have done business with either China or Japan. If we would use a more structured kind of interview, the 'unknown' factors could not be elaborated upon. Basic questions and context are given to the interviewees to start off the conversation, but the questions are improvised after the basic questions are answered. The goal of these interviews is to confirm the regular and well-known influencing factors of internationalization towards these countries, and furthermore to describe their experiences and to find out what hidden success factors or difficulties are. The questions and answers are coded afterwards and summaries of these conversations, including the important factors, are outlined in chapter 4.

3.1 Data Sample

Four interviews with various interviewees have been conducted for this research. All of these managers are working at different Dutch SME companies that already have internationalized or, in the case of Stage-Global, wants to internationalize to Japan and/or China. The interviewees are either owners of the company or mainly responsible for the internationalization processes within these SME companies. Next to these interviewees, questions are asked via the mail to the embassy in Shanghai and Tokyo.

4 INTERVIEW RESULTS

The summaries of the interviews are written below, the summaries are outlined in the following order: 1. Main Drivers, 2. Main Success Factors, 3. Main difficulties.

4.1 Case 1: FlorPartners, China

On the 10th of May, a semi-structured interview took place with Matthijs Jasperse. Mr. Jasperse is consultant and project leader at FlorPartners. FlorPartners works to strengthen the market position and the organizational strength of individual companies, chains of companies and the horticultural cluster. This cluster consists of the breeders, trade corporations and retailers. Mr. Jasperse worked his whole career internationally. After graduating, he worked for half a year in Argentina for a citrus breeder. His responsibility there was the export to Europe and

Russia of the citrus fruits. Hereafter, he started working at Kirkman Company, where he was responsible for sourcing contracts between AkzoNobel and Capgemini in India. After two years, he moved to the multinational Hunter Douglas, where he worked as a European Category buyer. During this period, he discovered China as one potential supplier of components for the products the company made. That was the first encounter with China in his business career. The interview focused mainly on the project that has been done with multiple Bell Pepper growers in the Netherlands. After a new trade agreement between the Dutch and Chinese government, some Dutch growers and FlorPartners saw an opportunity to export their products to China. In the interview we discuss the motivation of these companies, the difficulties and the successes of the project.

4.1.1 Main Drivers

A couple of years ago, a new trade agreement was made between the Chinese government, which triggered some of the Dutch trade organizations very interested to explore the possibilities in this market. In collaboration with the horticultural companies that make the end product and FlorPartners, the project was set up to realize export towards China. According to Matthijs from FlorPartners, the fear of missing out, which is defined as "a pervasive apprehension that others might be having rewarding experiences from which one is absent" (Przybylski, Murayama, DeHaan, & Gladwell, 2013), was in this case the biggest driver of the companies. Unfortunately for them, FlorPartners had the responsibility to choose who could participate in their project, and the companies that only wanted to participate to avoid not earning anything on China, did not get to work together to set up the export. Thus, the first trigger that started the interest of the company was definitely a change in trade agreements which gave the companies the opportunity to export products. The second factor was the fear of missing out, as China is seen as an enormous potential market for exporting fresh vegetables. They wanted to get a little piece of the cake that they had to share with the group.

4.1.2 Main Success Factors

The initial plan for FlorPartners and the collaborating companies was to export large amounts of their products to China, in 5 year this was expected to be around 7500 tons of these products. Unfortunately, this ended up being only 5 tons till now... A great disappointment for them off course, but the most important and valuable aspect of it is that the infrastructure for the export has been realized. It is possible for them right now to get their products in the local supermarkets in China, and you have to see that as a success.

It is very difficult to get your products on the market in China. At this moment, the company is seeking for a local partner in China that can help make the Chinese Retailers aware of their products. What's important here, is that this partner understands the local culture, speaks the local language, has a broad network in this sector and most importantly of all, understands the Dutch culture and the unique selling points of the product. When this is realized, an increase of export is highly likely to happen. One of the most important

success factors of this company to internationalize towards Chinese markets is that they were well prepared and had done lots of research prior to visiting the actual country. Overall, Dutch managers do not have much patience and want to get things done efficiently and as quickly as possible. Unfortunately for these companies, this is not possible according to the interview with Mr. Jasperse. Another success factor of the internationalization towards these Chinese markets is finding a fit between your product and the Chinese customer requirements. As Mr. Jasperse highlighted in the interview, 'Chinalize' your product. The third success factor is the skill of intercultural competence, the adaptation towards the Chinese culture. You need to let go of your Dutch habits and behaviour, 'Screw off your Dutch head and put on a Chinese head', as Mr. Jasperse described it. If you lack intercultural competence, you can't be successful in China and the Chinese companies won't be interested in doing business with you. The last success factor summarizes actually all factors above, namely: patience. You can't do business with Chinese partners in a couple of weeks, you need to take your time and be patient. You need to build trust with your potential partners and prove that you can keep meeting the expectations. The success factor 'patience' also means that you need to take your time beforehand and do your homework before you start doing business.

4.1.3 Main Difficulties

One of the obvious difficulties that Mr. Jasperse experienced in the process of internationalization towards Chinese markets is the language barrier. Beforehand, he thought that the companies he wanted to work with wouldn't have any problems with speaking English. But this did surprise him very much, out of a group of 20 Chinese managers, only 2 could speak a sufficient level of English. He got himself a translator, and that is the second difficulty immediately. You need to make sure that your translator understands difficult business terms in Dutch and can translate them with the same meaning to Mandarin. But overall, this is a basic and obvious difficulty that you must cope with as a company. The second difficulty or pitfall in his view is the underestimation of the whole internationalization process. This underestimation is something that many managers experience, and this is partly caused by the fact that Dutch companies can be somewhat arrogant. Dutch companies with a good product think they are able to export their product easily to another market, but most of the times China either makes it themselves or don't need the product. Thus, a large challenge is persuading the Chinese partner that your product has enough value for the customers, distributors and retailers. Everyone wants to earn their share, Mr. Jasperse highlighted this in his answers. A business partner in China told him: 'Show me the energy behind the brand', which meant that he needed to show that the product has value for everyone in the supply chain. Last difficulty is that, in comparison to other Asian countries like Japan, Thailand, Indonesia, China rarely asks for products to import. All these other countries ask for various products that Dutch companies can deliver, but China is way more self-sufficient than these countries.

4.2 Case 2: GrowthCreators, China

On the 21st of May, a semi-structured interview took place with Lenhard Los, owner of GrowthCreators China. Mr. Los studied Business Administration and has many working- and international experience. During his study, he worked for ABN-AMRO in China for a couple of months, where he researched what the best location for a new office would be. After his graduation, he started working for a packing industry for fresh vegetables where he was responsible for the export to Mexico and Egypt. For his next job he worked at a customer service company that helped large companies to set up a customer service and develop these. He helped mainly European companies with the customer service. After this, he worked for two years at PostNL as a strategic business developer, but he didn't really like the job. He made the step to found his own company, GrowthCreators China. It's a consultancy company that helps companies, either large- or small, with growing in the markets of China. He helped companies with making the products visible for Chinese citizens, he also supported companies that tried to export milk powder to China when there was a shortage of this product. He also set up the infrastructure for the export of Dutch flowers to China, which is a similar project as Mr. Jasperse had done. When asked what makes China special for him, he answered: 'China interests me because of its immense diversity, the technological advances that are introduced at this moment intrigues me as well'.

4.2.1 Main Drivers

Mr. Los worked with many companies that had interest in internationalizing towards China. There are several drivers that Dutch SME companies show. The first motivation factor of some companies that Mr. Los worked for was the gathering of new knowledge about digitalization and marketing by working together with Chinese partners. In terms of connectivity, digitalization and marketing, China is far ahead from western countries. The second motivational factor or driver is the opportunity-driven mindset of Small- and Medium Enterprises here in the Netherlands. If we possibly could sell to 10% of all Chinese citizens, we would be financially independent. This is what most of these companies already succeeded in, they have an opportunistic mindset and want to pioneer in other countries than the Netherlands. During the interview, the question was asked if it is a naive thought of companies to think that they can sell their product to 10% of the Chinese population. Mr. Los didn't totally agree with this statement, but he did note that it is important to understand what unique value proposition your product has for the Chinese customers. Sometimes, a product just doesn't fit in the habits and lifestyle of the customers. If you can create a unique value proposition that fits with the requirements of Chinese customers, everything is possible, even selling to 10% or more of the population.

4.2.2 Main Success Factors

There are several success factors that Mr. Los identified during his projects with Dutch companies, these will be outlined here with some context. During the interview, Mr. Los told that there is one very important thing to keep in mind for companies that want to sell a product to Chinese partners, namely:

Chinese companies only do business with the source of the product, thus with the original manufacturing company or vegetable grower. Thus, as a second-tier supplier or trade organization, you will have more problems with making successful business relationships with Chinese partners. Government plays a large role in the business environment of China, according to Mr. Los. Companies always work together in some way with the government, because it gives a boost and an advantage for your business. A good relationship and personal contact with government officials can lead to:

- Access to capital
- Access to a broad network of companies
- Comply with regulations

Compared with Dutch companies, this collaboration with the government is a standard part of running a business in China and it will inevitably help your company to sustain and grow. Working together with the government is not only important for Chinese companies, but as well for Dutch companies that want to explore the Chinese markets. Try to find a contact in China that has good ties to the Chinese government, as it will help you during the whole process. As an example for this, Mr. Los told in the interview that company X lost their products because the government lay a distress upon their goods. Luckily for them, because of the contacts' ties with the government, they retrieved all of their products without losing them. In the worst-case scenario, this prevented them to lose over €50.000 worth of products. It's difficult to work together directly with the Chinese government as a Dutch company, so the presence of a local contact person is a critical success factor for the whole process. This contact person or company must understand the local culture, must have good ties with the government and understands the Dutch culture and the value proposition as well. Don't work together with a contact person that doesn't speak proper English, as this will only obstruct the process. The last critical success factor is about the uniqueness of the product or service. What characterizes the Chinese culture is that they are self-sufficient. When China is not able to make a product, because of insufficient raw materials or lack of knowledge, they will work together with a foreign partner to get it done. But they will always first try to make it themselves. Thus, overall there is not much demand coming from China to foreign companies, which makes it difficult for Dutch companies to convince the Chinese partners of the unique value of the product. Thus, to make your product or service a success in China, think critically about to what extent the product fits in life of Chinese citizens. A critical view and lots of research prior to the start of the internationalization process are key success factors. After doing this research and once everything is worked out in detail, it is necessary to visit the country and meet with potential clients and distributors. Without this visit, a Dutch company won't be successful.

4.2.3 *Main Difficulties*

There are some obvious difficulties that companies experience in the internationalization process, and some hidden difficulties that most companies are not aware of. The obvious ones are for instance the

language barrier, which is quite large. "Among 390,160 Mainland Chinese who have learned English, only 20.94% are able to conduct daily conversations"(Wei&Su,2012).

The cultural differences between China and The Netherlands, which is outlined in the theoretical framework as well, is also a difficulty that needs to be overcome by Dutch companies. The one that is responsible for the internationalization process must have sufficient intercultural competence to cope with the differences. Dutch companies can be slightly arrogant as well in the internationalization process and think that they can get business done easily and in a short manner. But according to the experience of Mr. Los, this is just impossible, as the Chinese companies want to build a relationship that is based on long-term trust. Mr. Los: 'Realizing business with China can't be done in a couple of days. One difficulty that is less well-known by Dutch companies is the acceptance of products or services by the government to be sold. This differs per industry, but it can take up to years to get the right certificates that allow you to sell your product on the market. "Out of all the difficulties that I've experienced during internationalization processes, underestimation by Dutch companies is the most difficult and important one". Mr. Los outlined that most of the Dutch companies have an opinion that they can do business fast and easily with Chinese partners, but this is far from the truth. It's important that you take your time for the process, think about how your idea or product fits in the Chinese culture and show your Chinese partners the value of your product, especially what the value is for them.

4.3 **Case 3: New-Green, Japan**

On the 23rd of May, a semi-structured interview took place with Marianne van der Gragt and Pat Dekker from New-Green. New-Green is an international supplier of fresh vegetables and fruit. The company supplies to international supermarket chains, as well as wholesalers. The owners of the company have started the export when they were part of another company, but after conflicting ideas they decided to start their own company. At this moment, they are mainly supplying Japanese companies, sometimes fully loaded airplanes per week. Mrs. van der Gragt and Mr. Dekker are both graduates of Wageningen University in the Netherlands. They both have an interest in foreign countries and cultures and started working in an international environment immediately after graduating. Mr. Dekker started his international career with a project on quality management for vegetable exports to Japan, which excited him to start working in the same international environment. Mrs. van der Gragt always had an interest in Asian countries, she travelled several times to Indonesia during her studies. After graduating, she started working at Mol produce where she was responsible for the export of vegetables to America and Japan. They both agree that Japan is one of the most exciting countries to do business with. Mrs. van der Gragt: "One of the major reasons that I love working at this company is the freedom in my work, we're rather small as well, so communication is easy and direct. I like working with the Japanese people as well, who are very loyal and trustworthy."

4.3.1 Main Drivers

The export to Japan started at the previous company. Back in the 1990's, the first contacts were made between our company and some Japanese partners. Local growers were struggling with fluctuating prices in the Netherlands for their products, so they thought about how to sell their products to other countries as well, to create a more constant price for their products. The bell pepper as we know it in the Netherlands was introduced there at that time, and got accepted by the locals, who appreciated the new vegetable. Thus, the main driver at that time for the company to internationalize to Japan was mainly spreading the risk and to pioneer. After they succeeded to internationalize, the company had a competitive advantage and grew bigger compared to their competitors. New-Green as of today, still carry the same thoughts as the previous company, constantly looking into new opportunities in markets abroad.

4.3.2 Main Success Factors

For Japanese businesspeople, trust and loyalty is very important. They will always strive for 100% certainty in their whole business. Thus, when we look at New-Green, in the export of vegetables things can go wrong in (parts of) the supply chain. But Japanese companies want to be sure that no defects can happen, so they put checks and control mechanisms on most parts of the supply chain. The success of New-Green is coming from years of experience, working together with Japanese partners in the previous company. But how did they manage to succeed back in the days? Goodwill and constant, sufficient performance over the years. You have to deliver good products or services and build a relationship of trust. Being loyal to current clients in Japan is important as well, the companies don't like to come in second place. In many of the previous interviews, the success factor of a local contact person is mentioned. New-Green did not choose for a local contact person, out of cost consideration. They are a small company, and their capital isn't endless, so they felt that a local contact person is too costly. This is something to keep in mind for SME companies as well, their capital is not as large as multinationals or large companies, which makes it more difficult to hire people that can constantly track and handle the business in a country. Mrs. van der Gragt: "Because the Japanese partners trust us, we don't believe in a local contact person and we can manage the communication via skype or phone. Our competitors do have a local contact person and we understand the advantages, but for us it is just too expensive." The government helped us a lot as well, both Japanese and Dutch. When we started, we contacted the Dutch embassy based in Japan and they supplied us with all relevant information and network to expand our business. Most information and network can be gained for free via the embassy, especially for SME companies this is something you can make use of.

4.3.3 Main Difficulties

One of the difficulties for a small export company is to get sufficient capital to start with. You have to buy the products of the growers and wait for the buying party to pay once they receive the product. Thus, there is always an initial investment and there is always a risk that you don't get paid or paid late. What is potentially

difficult for a Dutch company, is that you can't tell a Japanese company to work in a way that you prefer. In most business relationships, they are the decision maker. Nevertheless, they will always work collaborative, thus making the business interesting for both parties. It's a case of give-and-take. Arrogance can be part of the Dutch culture, it is not done to show any form of arrogance to Japanese partners, they absolutely disapprove of this kind of behaviour. It is important to show good manners and respect to all business partners in order to turn it into a success. Another difficulty for our sector is the increase in regulations for exporting products to Japan via airplanes. You have to comply with a lot more regulations and laws than back in the days. Working together with the Dutch government can help speeding up the process of complying to all these rules.

4.4 Case 4: Stage-Global, USA

On the 13th of May, a semi-structured interview took place with Mr. Bonneur, founder of Stage-Global. Stage-Global is a leader in international exchange programs in the USA, Australia and Europe. They help students find a suitable internship, traineeships, summer work, au-pair experiences abroad and support these students with receiving the VISA for their stay. The idea of helping students with their exchange program came from the graduation assignment of Mr. Bonneur, which was setting up an exchange program between the US and The Netherlands. He succeeded, and turned it into his own business, which helps students from all over the world nowadays with finding their internship or else. The company is an SME and located in the city centre of Amsterdam. As noted above, Mr. Bonneur immediately started to work on his own company after graduating. In the first years of setting up the company, he only helped students find internships and traineeships in the US. After 1.5 year, he decided to move back to the US to enlarge the network of companies there, which had a positive impact on the company. In the years afterwards, the company has grown and is mainly specialized in US internships & traineeships but is also active in the Australian & European market. For Mr. Bonneur, internationalization of his business and exploring other countries is so interesting because you never know what to expect. It's challenging, exciting and it gives him a feeling of freedom. As this company did not yet internationalize towards China or Japan, no success factors or main drivers will be retrieved out of this interview. The main drivers of this company will be used for the research, and a small comparison of success factors and difficulties between US and China/Japan will be made.

4.4.1 Main Drivers

Mr. Bonneur does not have any international experience with Asia. The company's goal is to help students with their international experience in, mainly, high-end cities. Cities like Hong-Kong, Shanghai, Tokyo are large, high-end cities that fit in the current business model. The second trigger is the students that apply for the services of Stage-Global. There is a growing group of students that have a serious interest in an international experience towards Asia. At this moment, they have to sell a 'no' to these students, and this is a lost opportunity. The company wants to add

large cities to their offerings in the near future to satisfy this group of students, but they will stick to the same strategy as in the US. Thus, mainly paid internships in high-end cities. Most of the students that apply for their services, want to go to the US, and this is where they are most specialized as well. They arrange a placement for the students and arrange the VISA process, but it has happened in the past that suddenly the US government stopped giving VISAS to foreign students. This had a great impact on the company and so they are constantly looking to enlarge the offerings, geographically. This will spread the risk and makes the company not dependent on only the US internships and VISAS. Thus, risk-spreading is the third and last driver of the company.

4.4.2 Main Success Factors

To succeed in the US, you must be really well prepared. Doing your research and staying up to date on the developments in the country, especially law and rules per state, are very important. For Mr. Bonneur, this was part of his graduation assignment, so this research was very valuable for the first years of running the business. He made the choice to start running the company from the US, and this was a smart decision. To start up your company and build your network, you have to live there. Companies there like to work together with companies that are based in the US, this helped him a lot and boosted his business. He couldn't have achieved this if he kept running his business from the Netherlands. The US has a real working culture and according to Mr. Bonneur you can quite quickly expand your network and find suitable partners that want to work together.

4.4.3 Main Difficulties

When Mr. Bonneur started to internationalize to the US, he realized that 'The land of opportunities', is not that easy to internationalize to. The main difference with running a business in the Netherlands is that much more things are arranged for entrepreneurs in the Netherlands. For instance, tax administration is standardized and quite easy to do in the Netherlands. But in the US, it is very strict, and you have to pay tax for every state you make money in. This creates loads of administrative work and if you do not deliver it in time, you risk a significant fine.

4.5 Case 5: NL Embassy Shanghai

On the 15th of June, there has been mail contact with David Bekkers, who works at the Consulate-General of the Kingdom of the Netherlands. He is an officer for Innovation, Technology & Science for the Holland Innovation Network. Previously, he worked for the Dutch embassy in Beijing as well. Holland Innovation Network helps- and provides assistance for SME companies, start-ups and individual researchers with various steps in the internationalisation process. This can be, according to Mr. Bekkers, R&D assistance with companies, prototyping, even product-to-market assistance.

4.5.1 Main Drivers

The drivers for internationalisation that are mentioned by companies that worked together with the embassy are numerous. But the main drivers that are mentioned the most are entrance to the major market, fear of

missing out, access to cheap labour and talent for R&D.

4.5.2 Main Success Factors

It is also outlined in previous interviews in this research that it is key to have someone in China that can help you to internationalize. Mr. Bekkers mentioned this in his answers as the main success factor of internationalization processes, "We see that having the right local Chinese Partner that can be trust and understands the business of the company is key for a successful internationalization"(Mr. Bekkers, June 2019). Another main success factor is the preliminary research and preparation prior to internationalization, it is important to be very patient in this process and make sure that you have sufficient knowledge about the country, market and culture.

4.5.3 Main Difficulties

"The stupidest thing to do is not protecting your IP well enough" (Mr. Bekkers, June 2019). It sounds obvious to make sure of this, but many companies have problems with copying behaviour of Chinese companies, which happens a lot. It's difficult to prove that they copied your product and in many cases it turns out that the Dutch company did not protect their IP well enough. Another important factor is that Dutch products can be quite expensive compared to Chinese products, you have to make sure that the price of your product or service is competitive in the market.

4.6 Case 6: Embassy Tokyo

On the 13th of June, there has been mail contact with Luite Douma, who is a Senior Trade Officer of the Embassy of the Kingdom of the Netherlands in Tokyo. The embassy in Tokyo helps companies in various parts of the internationalisation process, for example matchmaking with partners, providing key information about markets and next to this, they organise events to connect with companies from Japan.

4.6.1 Main Drivers

According to Mr. Douma, many companies want to internationalise to Japan because they see an opportunity to enlarge their business and they don't want to miss this chance of increasing their business. It fits the factor that has been mentioned in earlier interviews, the Fear of Missing Out. Next to this, many companies want to internationalise to Japan as they are convinced that there is a customer demand present for their product in Japan.

4.6.2 Main Success Factors

The embassy of Tokyo have helped numerous companies in their internationalisation process, but not all companies succeeded to reach full potential. The companies that did succeed focussed on a couple of factors: taking time for the Preliminary Research, having the right Local Partner and enough Intercultural Competence to cope with the differences in culture. Rhetorically, Government Collaboration is definitely an important factor as well according to Mr. Douma.

4.6.3 Main Difficulties

What is difficult about the internationalisation process, according to Mr. Douma is that Dutch companies have a short-term vision, and underestimate the length of this process. He outlines that forming a relationship of trust with Japanese partners is way more time-

consuming than with partners in Europe. For the overview, the main difficulty factor according to this interview will be the underestimation.

4.7 Summing-up Table

Table 2 shows an overview of the results that are retrieved from the interviews with the companies. All the factors that have been mentioned during the interviews are shown in the first column. Many of the factors are mentioned in multiple interviews, so the last column shows the amount of times that the factor has

been mentioned in total. The factors that are mentioned most, are coloured red. In the part where the main drivers were researched, Pioneering and Fear of Missing Out are mentioned in almost every interview. According to this practical data collection, these are certainly motivational drivers for these companies. Regarding the success factors, Preliminary Research, Intercultural Competence, Governmental Collaboration, Local Partner and Trust are certainly success factors. The main difficulties are underestimation and arrogance of Dutch companies.

Main Drivers, Critical Success Factors, Main difficulties	Interview 1: China	Interview 2: China	Interview 3: Japan	Interview 4: USA/Australia	Interview 5: China	Interview 6: Japan	Total
<u>Main Drivers</u>							
New Trade Agreements	x	x					2
Fear of Missing Out	x	x			x	x	4
Risk-spreading			x	x			2
Pioneering	x	x	x	x	x		5
Customer Demand				x		x	2
<u>Main Success Factors</u>							
Local Partner/Employee	x	x		x	x	x	5
Preliminary research	x	x	x	x	x		5
Unique proposition	x	x					2
Intercultural Competence	x	x	x	x		x	5
Patience	x						1
Government collaboration	x	x	x	x	x		5
Goodwill			x				1
Trust	x	x	x		x		4
<u>Main Difficulties</u>							
Language Barrier	x	x					2
Underestimation by Dutch Companies	x	x		x		x	4
No demand	x	x					2
Misfit of Product and Culture	x	x					2
Product or Service Certificates		x	x				2
Sufficient Capital			x				1
Dutch Arrogance	x	x	x				3
No IP Protection					x		1

Table 2: Overview of Internationalization Factors per Interview

5. CONCLUSION

5.1 Key Findings

Based on the conducted research, we see that there are many challenges in the internationalization process for Dutch SMEs. It is certainly not an easy process, and this can already be seen in the cultural analysis, where it is clear that the Dutch culture deviates a lot from the Japanese and Chinese culture. A company manager or owner must have sufficient intercultural competence to deal with those differences. The practical evidence, gathered by the six interviews in this research, showed that one must be aware of the amount of work and time that has to be spent to realize internationalization of a company. The preparation before- and the actual internationalization process takes time, focus and commitment. It can happen that companies spent numerous amounts of time and financial resources in this project, and do not succeed. The *main drivers, success factors and main difficulties*, based on the conducted research, are outlined in the further subchapters.

5.1.1 Main Drivers

The introduction and theoretical framework of this thesis shows that both China and Japan have huge potential. With a potential market of respectively, 1,386 billion- and 126,8 million people (Worldbank, 2019), pioneering Dutch SMEs are motivated to do business with these countries. Table A.4 shows all the factors that have been mentioned during the interviews. The most mentioned driving factor for internationalization of SME companies was *Pioneering*. This can also be seen in the introduction of the thesis, pioneering is inherited in the Dutch culture and ways of doing business, and makes companies look beyond their own boundaries for new opportunities. The other main driver is the *Fear of Missing Out*, these markets have such huge potential that companies are afraid to miss out on the huge potential. *New Trade Agreements* was an important factor only for the companies that exported fresh goods. This is also shown in the introduction of these thesis, where it is showed that *New Trade Agreements* have led to an increase in new Dutch internationalising companies. *Risk-Spreading* is also mentioned during the interviews, but this is only the case for companies that work in risky or uncertain business environment.

5.1.2 Main Success Factors

This part of the research definitely gathered more factors than the driving factors part. These factors, together with the main difficulties have the most practical relevance and can be used by companies to know what can affect the internationalization process in a positive way. Out of the conducted research, the factors *Preliminary Research, intercultural competence, Government collaboration, Local Partner and Trust* are mentioned in almost all of the interviews, both for China and Japan. Intercultural Competence is key for succeeding in both China and Japan, this is proven by the comparisons between the cultures. They are very different from each other and therefore at least one of the participating managers or owners need sufficient intercultural competences and knowledge about the culture to make it a success. It's already stated above here that it could potentially take lots of time and resources to turn it into a success. This might

sound difficult for Dutch companies, who prefer to work in a fast and efficient manner, but it is essential to first build relationships of *Trust* before any steps can be taken. It is written in subchapter 2.2 that, the Netherlands has 34 official support organizations that provides support and information for SMEs that wish to internationalize (Wymenga et al., 2013), which is based on the interviews a critical success factor of internationalization. Embassies and business support offices can help you start up the process, the government can even provide you with initial financial resources for international exploration. *Preliminary Research* is key to get to know the culture and the business environment and to set up a plan, which can potentially rule out the teething problems of the internationalization process. Having the right *Local Partner* and taking the time to build *Trust* are important factors that can make it into a success, especially the embassy interviewees agreed upon this.

5.1.3 Main Difficulties

The main difficulty of internationalization is the outlined in subchapter 2.3, the cultural analysis of the Netherlands, China and Japan. The two factors that have been mentioned by most of the interviewees are *Underestimation by Dutch Companies* and *Dutch Arrogance*, which shows that the difficulties actually arise from characteristics of the Dutch culture. Thus, the problem does not always lie at the foreign culture, but most of the times because of the own conflicting characteristics of the Dutch culture. To overcome this difficulty, one should have enough cultural competence to, as Mr. Jasperse told during the interview, “screw off your Dutch head and screw on a Chinese”, thus a company manager or owner should show that they can adapt to the other culture in order to build successful relationships. Another factor that is especially important for SMEs, is the requirement of sufficient *Financial Resources*. It can be quite expensive to set up an internationalization process, this can possibly be overcome with the help of the government or by collaborating with other small companies.

5.2 Academic & Business Relevance

The outcomes of this research can be relevant for the practical purpose of business and for academic purposes, as it shows a rather small, but valuable insight of the differences between the Netherlands and Japan & China and how to cope with these. Further research may be conducted in order to enlarge the practical evidence of these factors by interviewing more companies from different sectors and industries. Crucial factors of the internationalization process are potentially useful for SME companies that are thinking of doing business with China or Japan or another foreign country. It can help them rule out teething problems that arise at the beginning of the internationalization process and turn their projects into a success. Furthermore, the large difference between cultures in the figures in this research are valuable to see for companies to make them aware of the differences in culture. Globalization could make the perceived distance between countries become more smaller in the future, thus making us more aware of foreign countries, which will make it easier for companies to internationalize on the future.

5.3 Research Limitations

The main limitation of this research is the short time span in which it has been conducted. To narrow down the critical influencing factors of internationalization, the data sample has to become larger and more diversified. Next to this, success in internationalization can have high monetary rewards, thus companies are not always eager to give you all the 'secret' information you would like to have about successful internationalization. If there is time to further research this topic, it would be interesting to gather a large Dutch respondents base that are interested in an analysis of the critical influencing factors of the internationalization process.

6 ACKNOWLEDGEMENTS

First of all, I would like to express my sincere gratitude towards my supervisor Dr. Agata Leszkiewicz, who helped me a lot in the beginning of the thesis to shape my research questions and turn it into a thesis that has both practical relevance and academic relevance. I would also like to express my sincere gratitude towards the interviewees for spending their time and effort, share their experiences with me, and for inspiring me to work in an international business environment in my future career. Their answers form the backbone of this research and they have been highly informative sources for this thesis. Next, I want to thank Andries and my other colleagues at Stage-Global to inspire me about the internationalization of companies and the offering of an inspiring work environment for the last couple of months, which helped me to stay motivated and interested in my thesis topic.

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7. APPENDIX

Appendix A: Interviews

A.1. Interview Questions Interview 1

- Could you tell me something about your background in studies and as a manager and your current position at FlorPartners?
- Can you please tell me something more about this Export B.V. with which you facilitated trade with China?
- Has the Dutch government any influence on your daily business and projects?
- What was your international experience as a manager before you started working at this company?
- When I studied in India, I saw that the level of proficiency in Horticulture is years and years behind if you compare it to Dutch Horticulture. Do you feel that China is lagging behind in comparison to Dutch Companies?
- What was the reason or motivation that you started to set up this project?
- What was your expectation of the project at the point that you formed your team and partners and started working on the project?
- Could you tell me something about struggles that you experienced at the beginning of this project?
- In your opinion, as someone with experience of doing business with China, what are the pitfalls or bottlenecks of Dutch companies that tried to internationalize to China?
- What would be your main point of advice to Dutch SME companies that are willing to internationalize towards Asian markets?

A.2. Interview Questions Interview 2

- Could you tell me something about your background in studies and as a manager and your current position and company?
- What is your previous international experience?
- Where does your interest in foreign countries come from, specifically Asia?
- In another interview with a company that had business with China, I heard that the Chinese government has a large influence on entrepreneurship. What is your experience with this?
- In this research is the presence of a 'local contact person' many times called as a factor of success. Do you think this is a success factor and what do you expect from such a contact person?
- What were the main reasons of doing business with China for the companies that you've helped?
- Do you think that this opportunism of selling to 10% of the Chinese population is a bit naive?
- What are the main reasons that the companies you've worked with were successful in doing business with China?
- What are things that are difficult to cope with in the internationalization process for companies you've worked with?

A.3. Interview Questions Interview 3

- Can you tell me something about your background and current positions at New-Green?
- What is your previous international experience?
- Where does your interest in Asia come from?
- What is, according to you, the main reason that Dutch companies want to go to countries like China or Japan? Is it Fear of Missing Out, Risk spreading, change in regulation or other?
- What was the main factor that made trade with Japan possible for your company?
- For New-Green as a rather small company, what were difficulties at the start 5 years ago when you started exporting once again?
- What do you need as a Dutch company to succeed in Japan?
- If you would start doing business with another country in Asia, for instance, Indonesia, would you hire a full-time local employee to manage the relationships there?
- If you are doing business as a Dutch company with a Japanese Company, what should you never do?
- To what extent have rules and regulations changed in Japan for your business?
- What would you give as an advice to SME companies that want to start doing business with Japan?

A.4. Interview Questions Interview 4

- Can you please introduce yourself and elaborate on your experience as a student and entrepreneur?
- What is your international experience? Where does the interest in internationalization and exploring other countries come from for you personally?
- You have internationalised with Stage-Global, to the US and Australia. What were difficulties and bottlenecks that you experienced when you started working with these foreign companies? How did you cope with these difficulties?
- When was the first time that you were triggered by chances in Asia and what makes you interested in these countries?
- Do you have any international experience in Asia?
- What are for you the main reasons to internationalise to Asia?
- Is the interest of internationalisation towards Asia solely personal interest or moreover solely for business interest?
- What are your expectations of Asia for the future of your company and how do you see it becoming a success?
- You have quite some international experience and at this moment you are running a healthy, international business. What would you give as an advice to Dutch SME companies or Entrepreneurs if they would try to internationalize?

A.5. Interview Questions Interview 5

- What role does the government play in the internationalization of Dutch companies? In which phase of the process are you most involved?
- For the companies that ask for your help, what are motivational drivers that make them start the internationalization towards China? Other companies mentioned Fear of Missing Out, Opportunity-driven, Pioneering, Risk spreading. Do you agree with these factors? What are the most relevant in your opinion?
- What are success factors of Internationalization towards China for Dutch companies with your help?
- What are pitfalls or difficulties for Dutch companies if they want to do business in China? What are reasons for failing the internationalization?

A.6. Interview Questions Interview 6

- What role does the government play in the internationalization of Dutch companies? In which phase of the process are you most involved?
- For the companies that ask for your help, what are motivational drivers that make them start the internationalization towards Japan? Other companies mentioned Fear of Missing Out, Opportunity-driven, Pioneering, Risk spreading. Do you agree with these factors? What are the most relevant in your opinion?
- What are success factors of Internationalization towards Japan for Dutch companies with your help?
- What are pitfalls or difficulties for Dutch companies if they want to do business in Japan? What are reasons for failing the internationalization?