THE INTERNATIONALISATION OF EMERGING MARKETS-BASED SMEs.

EVIDENCE FROM CHINA'S JIANGSU PROVINCE

ABSTRACT

The paper aims to study the international expansion of SMEs in an emerging country. Mathews (2006) and Yamakawa et al.'s (2008) frameworks were applied to analyse the expansion process. The data was collected from 137 SMEs operating in Jiangsu Province, China, and then analysed using multivariate regressions; the models used the firms' export intensity at the regional, national, and international level as dependent variables. Five models were run: two analysing the internal and external factors promoting/hindering the firms' international expansion, one analysing the relation between the industry and the international activities, and the other two models studying institutional factors (state funding and ownership). The results show that 17 factors are hindering the expansion of the SMEs in the sample, that there seems not to be a relation between industry and international operations, and that ownership by the state does not seem to play a relevant role in the international expansion. The paper concludes with an analysis of the fit of the findings with recently published conceptual frameworks on emerging markets' companies.

Keywords: Internationalisation from emerging markets firms; SMEs expansion; factors affecting SMEs' internationalisation; interaction among external factors, internal factors, and institutions.

INTRODUCTION

The Chinese authorities are actively pursuing the development and national and international expansion of small and medium-sized enterprises (SMEs) (Ministry of Commerce of the People's Republic of China, 2008a,2008b,2008c) mainly due to their key role in promoting entrepreneurship, job creation, technology diffusion, fiscal income, identification and adoption of international best practices, risk diversification, and wealth generation (Cardoza, 1997).

On the other hand, Chinese SMEs, mainly due to the apparent early development stage which they are currently in (Nolan, 2001), may be facing factors that are promoting or hampering this expansion process and which have to be assessed. Managers, academics, and policy makers need to identify and understand the challenges posed by this expansion process, especially as the current literature on the internationalisation of emerging countries' SMEs is scarce. In addition, it has been suggested that the Chinese outward internationalisation process seems to differ from the patterns seen in other countries (Boisot; and Child, 1996, Buckley, et al., 2007, Cardoza; and Fornes, 2008, Child; and Tse, 2001, Child; and Rodrigues, 2005, Mathews, 2006, Yamakawa, et al., 2008). In this context, the international expansion of SMEs from China is worth studying to understand the factors affecting this internationalisation process and also to analyse how this process differs (if at all) from what has been reported in previous works in other countries.

This paper is structured as follows. First, a review of the literature on the international expansion of Chinese firms is presented; this is followed by a description of the main conceptual framework and hypotheses. Third, the definitions, aims, methodology and analysis of the data are explained; and fourth, the results of the analysis are presented. The paper finishes with a discussion and conclusions.

LITERATURE REVIEW

Most of the works on the national and international expansion of Chinese companies are based on large companies. Studies on the expansion of Chinese SMEs are scarce. Nevertheless, and due to the pace of change in the Chinese economy, it could be argued that many of the now relatively large companies were small or medium-sized organisations only a few years ago. Examples of this rapid transformation worth mentioning are what Zeng and Williamson (2003, pp. 3-4) called "competitive networks", a group of companies that "have taken on world markets by bringing together small, specialized companies that operate in close proximity", and "technology up-starts", firms exploiting technology developed by research institutes owned by the government. As a consequence, it would be relatively safe to assume that some of the characteristics found in previous studies on China's international companies may also be applicable, to some extent, to small and medium-sized firms.

The Internationalisation of Chinese SMEs: Conceptual Framework

Mainstream internationalisation theory assumes the existence of prior competitive advantages (Porter, 1980), firm-specific advantages (FSA) (Rugman, et al., 2006), or ownership-specific advantages (Dunning, 1977) and the company's ability to exploit them abroad (Buckley; and Casson, 1976). However, recent works have questioned the applicability of these theories in the context of Emerging Economies (EE).

For instance, Wright et al. (2005, p. 2) suggested that the analysis of companies from less developed countries should take a different perspective as they argue that emerging markets are "a new context in which to understand the relative strengths and weaknesses of the different [conceptual] perspectives" used in conventional theory. These authors added that "domestic firms competing within emerging economies face a 'high velocity' environment of rapid political, economic, and institutional changes that are accompanied by relatively underdeveloped factor and product markets" (p. 7). This changing environment presents

different challenges for firms operating in these countries which have been widely documented in the literature (see for example (Filatotchev, et al., 2003, Fornes, 2008, Fornes, 2009, Fornes; and Cardoza, 2009, Guillen, 2000, Hoskisson, et al., 2000, Khanna; and Palepu, 1997, Khanna; and Palepu, 2000, Peng, 2003)). Most of these works on emerging markets' firms suggest that firms from these countries develop a set of specific advantages needed to cope with a changing environment and the relatively low development of the markets. When crossing the border, these specific advantages can help companies to successfully exploit opportunities in other emerging markets, or to create a framework for developing the necessary resources to acquire and also manage assets in other countries.

In this context, Child and Rodrigues (2005, pp. 384-385) claimed that the specific characteristics of the Chinese outward internationalisation process need to be analysed on their own merits. The first point supporting their claim is that China's emergence as an industrial power falls within the late development thesis (also applied to other East Asian countries) as China's companies need to catch up in "terms of technology and know-how, as well as in the development of business environments supportive of international competitiveness". They argue that Chinese firms' need to use outward FDI to close the gap with "leading companies through acquiring appropriate assets and resources" rather than firms wishing to exploit their prior competitive advantages, the main assumption in mainstream theory (Buckley; and Casson, 1976, Dunning, 1977).

Their second point concerns the Chinese government's role in its companies' internationalisation process as many firms have received financial support and protection from the authorities to reduce their "late-coming disadvantage" and "acquire assets that enable [them] to compete in the world market".

The third point is the counterpart of the second: the companies receiving support and aid as described "could be weakened by the way they remain beholden to administrative approval

and bear a legacy of institutional dependence" which may suggest that their strategic options are limited from a "heavily institutionalised environment".

The fourth point supporting their claim concerns the Chinese "distinctive cultural and institutional legacy" including, for example, their reliance on close personal relationships (guanxi) or their management styles, which may increase their psychic distance (Johanson; and Wiedersheim-Paul, 1975). This liability of foreignness could eventually put the effectiveness of the strategy of acquiring resources abroad in jeopardy.

All in all, the relevant question seems to be whether the internationalisation of companies from emerging economies "and, specifically, from China requires a special theory nested within the general theory" (Buckley, et al., 2007).

In an attempt to answer this question, Mathews proposed an extension of the OLI paradigm (Dunning, 1977) as this traditional model uses "a 'push-oriented' concept" from Western MNEs where the firm's internationalisation "is propelled by some strategic objective", rather than by a pull and push process that seems to be the reality for most Asian Pacific companies (Mathews, 2006, p. 16). This extended model, LLL, is supported by the idea that the internationalisation of "EE [emerging economies]-based firms is not necessarily based on the possession of overwhelming assets, but rather on firms' ability to leverage its capability in organizational learning" (Yamakawa, et al., 2008, p. 68).

Yamakawa et al. (2008) continued the analysis of EE's firms and found that the three main perspectives that have traditionally studied the internationalisation of companies – industry-based view (Porter, 1980), resource-based view (Barney, 1991, Penrose, 1959), and institution-based view (Meyer; and Peng, 2005, North, 1990, Williamson, 1975) – need to be put together in the context of EE as "none of them is likely to be strong enough to sustain on its own; rather, it is the combination of their insights that lead to a better and more insightful understanding" of this emerging phenomenon (p. 64).

They claim that this combination is necessary as (i) the industry-based view allows the examination of external opportunities, threats, and barriers (ii) the resource-based view identifies internal strengths and weaknesses, and (iii) the institution-based view takes into account the interaction between organisations and institutions (Peng, et al., 2008, Yamakawa, et al., 2008). Within this context, this work aims at analysing the factors driving the internationalisation of EE-based SMEs through the study of small and medium-sized firms from China's Jiangsu province with a focus on the combination of the three views mentioned above.

HYPOTHESES

As described above, the industry-based view aims at analysing the role of external opportunities, threats and barriers in the internationalisation process. Based on this, the first hypothesis arises:

H1: the environment for SMEs in Jiangsu Province presents some external factors that hinder the firms' international expansion.

Second, the resource-based view intends to identify internal strengths and weaknesses which are considered in hypothesis 2:

H2: SMEs from Jiangsu Province face some internal factors that hinder their international expansion.

Also, as a complement to the external and internal factors presented in *H1* and *H2*, it was deemed necessary to see if a relation exists between internationalisation and industry. This is studied in hypothesis 3:

H3: the internationalisation of Jiangsu Province-based SMEs is related to the industry in which the firms operate.

The institutional factor, in the form of different ownership types and also of the financial support received from the state, is studied in the two hypotheses below:

H4: the ownership by the state facilitates the international expansion of SMEs from Jiangsu Province.

H5: financial support from the state facilitates the international expansion of SMEs from Jiangsu Province.

DEFINITIONS, SAMPLE, AND METHODOLOGY

The definition of internationalisation used in this work is similar to that proposed by Mathews (2006, p. 16): "the process of the firm's becoming integrated in international economic activities", which covers export activities as well as foreign direct investment.

The definition taken for SMEs is the one given by the National Bureau of Statistics of China and can be seen in Table 1. In this figure it is possible to see that for some activities the maximum number of employees is 3,000, well above the threshold set by the European Union, for example.

[Insert Table 1 around here]

The factors affecting internationalisation were operationalised using Leonidou's (2004) recollection of factors/barriers hampering the international development of SMEs[1]. The definition of barriers is also similar to that proposed by Leonidou (2004), barriers for the national and international expansion of SMEs are those hindering "the firm's ability to initiate, to develop, or to sustain business operations" outside their local market.

The data was collected using a questionnaire based on the set of barriers presented by Leonidou (2004). The questionnaire contained different 5-point Likert-type scale questions designed to measure the perception of the barriers examined. It was applied to a convenience sample of 137 senior managers and directors of SMEs in Jiangsu Province between December

2007 and July 2008 (data from only 134 questionnaires was used as the replies from the other 3 were not complete).

Table 2 presents selected answers from the survey. In this figure it is possible to see that around 19% of the firms in the sample are owned by the state (more than a 50% stake). These companies operate mainly in manufacturing (20%), wholesale (10%), and professional services (9%). Most were founded more than 6 years ago, and the great majority of their managers are men (74%) between 22 and 44 years old, with a university education. These companies show a relatively high active participation by members of the managers' families. Most of these SMEs have funded their operations using loans, mainly from state-owned banks, in the last two years.

[Insert Table 2 around here]

The data analysis is based on multivariate regression analyses using *export intensity* (the ratio of sales outside the companies' region of origin, Jiangsu Province, to total sales) as a dependent variable and the answers from the survey as independent variables. *Export intensity*, an established measure of expansion firm performance (Bonaccorsi, 1992, Calof, 1994) used as a proxy for *integration in international economic activities* in the models, was taken at three different levels: regional, national, and international. This 3-level analysis was designed to assess the firms' ability to leverage their capability in organisational learning as proposed by Mathews (2006) and Yamakawa et al. (2008). A search for a parsimonious version of these equations then took place. The models can be seen in the equations below:

External

$$R_i; N_i; I_i = \alpha + \theta_1 Paperwork_i + \theta_2 Communication_i + \theta_3 Payment_i + \theta_4 Assistance_i + \theta_5 DomRegulations_i + \theta_6 Preferences_i + \theta_7 Competitiveness_i + \theta_8 EconEnvironment_i + \theta_9 ExchRate_i + \theta_{10} PolInstability_i + \theta_{11} HostRegulations_i + \theta_{12} Tariff\&NTB_i + \theta_{13} Familiarity_i + \theta_{14} Socio\text{-}cultural_i + \theta_{15} Verbal_i + \varepsilon_i$$

(Equation 1)

Internal

$$R_i; N_i; I_i = \alpha + \theta_1 InfoSources_i + \theta_2 Data_i + \theta_3 Contacts_i + \theta_4 Time_i + \theta_5 Skills_i + \theta_6 Facilities_i + \theta_7 Finance_i + \theta_8 Product_i + \theta_9 Design_i + \theta_{10} Quality_i + \theta_{11} Labels_i + \theta_{12} Postsale_i + \theta_{13} Price_i + \theta_{14} CompPrice_i + \theta_{15} Credit_i + \theta_{16} Distribution_i + \theta_{17} DistAccess_i + \theta_{18} Representatives_i + \theta_{19} Control_i + \theta_{20} Supply_i + \theta_{121} Warehouses_i + \theta_{22} Transport_i + \theta_{23} Promotion_i + \varepsilon_i$$

(Equation 2)

The definition of the variables can be seen in Figure 1.

[Insert Figure 1 around here]

Industry

$$R_i; N_i; I_i = \alpha + \theta_1 Manufacture_i + \theta_2 Hotel/Rest_i + \theta_3 Retail_i + \theta_4 Wholesale_i + \theta_5 ProfessionalSs_i + \theta_6 IT_i + \theta_7 Construction_i + \theta_8 Transportation_i + \theta_9 RealEstate_i + \theta_{10} FinancialSs_i + \theta_{11} Health_i + \theta_{12} Others_i + \varepsilon_i$$

(Equation 3)

Ownership types

$$R_i; N_i; I_i = \alpha + \theta_1 Family_i + \theta_2 SpecialPartnerships_i + \theta_3 FinancialInstitutions_i + \theta_4 State_i + \varepsilon_i$$

(Equation 4)

Funding sources

$$R_i; N_i; I_i = \alpha + \theta_1 Personal_i + \theta_2 State_i + \theta_3 Private_i + \varepsilon_i$$

(Equation 5)

where R_i, N_i, and I_i are the *export intensity* at the regional, national, and international level (respectively) of company i.

In Equation 4 the independent variables represent different ownership types (which are measured using the percentage of their stake in the company). *Special Partnerships* include Joint Ventures (JV), Original Equipment Manufacturing (OEM) agreements, and other partnership types with international companies.

In Equation 5, (i) *Personal* sources include the answers under the following headings: Own Savings, Family, Second Mortgage, Credit Card, Loans from Friends, Inheritance, and Pension; (ii) *State* sources comprise Overdrafts, Subsidies, Leasing, Loans from Banks, and Subsidised Loans; and (iii) *Private*, contains Venture Capital, Suppliers, Other Business, Previous Years' Profits, Private Investors, and Depreciation. In this model it is important to mention that the great majority of the banks in Jiangsu Province are owned by the state (local or national).

In Equations 4 and 5 it is expected that the results show positive effects, i.e. the participation of the government in the capital of the firms and its financial support will be instrumental in the international expansion of SMEs.

RESULTS

Tables 3, 4, 5, 6, and 7 present the correlations matrices for the external, internal, industry, ownership and funding models respectively. Tables 3 and 4 show the Kendall's τ coefficient as the equi-distance in the Likert scales cannot be justified (Table 5, 6, and 7 present the Pearson's ρ coefficient). As can be seen, in general, there are no signs of large correlation between the variables; the very few that show a relatively large correlation are, to a certain extent, expected owing to the nature of the variables presented by Leonidou (2004) (Tables 3 and 4) and the apparent closeness of the concepts measured (Tables 5, 6, and 7). The variables were kept in the model as it was considered that, even including the closeness of the concepts, the variables do not depart from their independence mainly owing to the different contexts and purposes of the original data.

[Insert Tables 3, 4, 5, 6, and 7 around here]

The results of running the five models (Equations 1, 2, 3, 4, and 5) can be found in Tables 8, 9, 10, 11, and 12. Each table presents three panels with the results for the three dependent variables, R_i, N_i, and I_i; within each panel Reg1 shows the results of running the original

models (Equations 1 to 5) and then Reg 2, Reg 3, and Reg 4 (where applicable) present the results of running subsequent regressions in the search of the parsimonious versions of the equations. An analysis of the individual tables follows.

[Insert Tables 8, 9, 10, 11, and 12 around here]

Table 8 (external model): panel A presents the results of running Equation 1 at the regional level, R_i. In this panel (Reg 4) it is possible to see that only *Paperwork*, *Communication*, *Payment* and *Competitiveness* are statistically significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). Reg 2 in panel B (Equation 1 at the national level, N_i) shows that *Paperwork*, *Communication*, *Assistance*, *Familiarity*, and *Verbal* are also statistically significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). Finally, Reg 3 in Panel C (Equation 1 at the international level, I_i) presents that *Payment*, *Competitiveness*, *Tariff&NTB*, and *Familiarity* are clearly significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). These results accept *H1*.

Table 9 (internal model): panel D presents the results of running Equation 2 at the regional level, R_i. In this panel (Reg 4) it is possible to see that only *Skills, Design, Distribution, DistAccess,* and *Transport* are statistically significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). Reg 4 in panel E (Equation 2 at the national level, N_i) shows that *Contacts, Design, Distribution, DistAccess,* and *Transport* are also statistically significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). Finally, Reg 3 in Panel F (Equation 2 at the international level, I_i) presents that *Data, Contacts, Representatives,* and *Control* are clearly significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). This accepts *H2*.

Table 10 (industry model): panel G presents the results of running Equation 3 at the regional level, R_i. In this panel (Reg 4) it is possible to see that only *Hotel/Rest,* and *ProfessionalSs* are significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). Reg 3 in panel H (Equation 3 at the national level, N_i) shows that *Manufacture*, and *IT* are also statistically significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). Finally, Reg 1 in Panel I (Equation 3 at the international level, I_i) presents that no industry is related to the internationalisation of the SMEs in the sample. This rejects *H3*.

Table 11 (ownership model): panels J and K present the results of running Equation 4 at the regional, R_i, and national level, N_i. In these panels (Reg 1) it is possible to see that no ownership type seems to facilitate the international expansion of the SMEs in the sample. However, Reg 2 in panel L (Equation 4 at the national level, N_i) shows that *Family*, and *SpecialPartnerships* are statistically significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$) rejecting, thus, *H4*.

Table 12 (funding sources model): panel M presents the results of running Equation 5 at the regional level, R_i. In this panel (Reg 1) it is possible to see that only *Personal* is significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). Reg 1 in panel N (Equation 5 at the national level, N_i) shows that no funding source is statistically significant. Finally, Reg 2 in Panel O (Equation 5 at the international level, I_i) presents that *Personal*, and *Private* are statistically significant ($|\beta_m/S_b|>t_{n-3;\ 0.9}$). These findings reject *H5*. A summary of the results can be seen in Figure 2.

[Insert Figure 2 around here]

Robustness Checks

The models were checked for the regression assumptions. The first check was specification, the omission or inclusion of irrelevant variables and the selection of an incorrect functional form. This check can be seen in the process from Reg 1 to Reg 4 (where applicable) from where the preferred models emerged. This process was carried out to test the robustness of the model, to avoid losses in the accuracy of the relevant coefficient estimates, and to avoid a biased coefficient by estimating a linear function when the relationship between variables was nonlinear (Schroeder, et al., 1986). Second, measures were put in place to avoid measurement errors, for example, the participants operate within similar idiosyncratic characteristics (managerial, organisational, and environmental) making the barriers operative (Barret; and Wilkinson, 1985) and, as a consequence, a similar contextual view of the challenges faced by their firms can be expected. Third, autocorrelation was checked by calculating the Durbin-Watson coefficient[2]. Fourth, t-statistics were adjusted by a heteroskedasticity correction in the

regressions (White, 1980)[3] to test if error terms depend on factors included in the analysis. Finally, multicollinearity was tested through an analysis of the correlation coefficients between the variables in the model (Tables 3, 4, 5, 6 and 7).

DISCUSSION AND CONCLUSIONS

This work, one of the first to present a quantitative analysis of the internationalisation of Chinese firms, has attempted to study the factors affecting the internationalisation of EE-based SMEs through the study of small and medium-sized firms from China's Jiangsu province. A discussion and analysis of the findings follow.

First, firms in the sample do not appear to perceive *Finance* as a barrier to their expansion (similar to what was found in China's Ningxia Province's SMEs (Cardoza; and Fornes, 2008)), a barrier mentioned widely in the literature on Western SMEs. This could be explained by the strong support from the government in terms of ownership and loans from state-owned banks (one of the characteristics of Chinese international firms identified in previous works).

Second, SMEs from Jiangsu Province seem to face fewer barriers (around 45% of the total recollected by Leonidou (2004) assuming an equal weighting) to their expansion than their Western counterparts. This finding was not expected as it can be thought that companies from an emerging country would face more barriers than companies operating in more developed economies; although it is important to recognise that may be another set of barriers not yet identified in the literature as the set employed in this study is based on firms operating in developed countries.

Third, the evidence shows that there are different factors affecting the crossing of the regional and national boundaries (especially the last one to go international, see Figure 2), making this one of the first empirical works showing that different factors apply to regional, national, and

international expansion, and supporting Mathews' (2006) idea of leverage of organisational learning. Nevertheless, the international expansion does not seem to be industry-specific.

Fourth, the factors can be grouped into three main areas: (i) Knowledge of International Business, including *Paperwork, Data, Representatives, Familiarity*, *Tariff&NTB*, and *Assistance*; (ii) International Operations and Logistics, including *Distribution, DistAccess, Transport, Control,* and *Payment*; and finally (iii) Skills and Internal Capabilities, including *Skills, Contacts*, *Communication*, *Verbal*, *Design*, and *Competitiveness*. This grouping shows that the barriers are related mainly to weak management skills and knowledge regardless of the difference between internal and external. These findings suggest that Jiangsu Province's SMEs share this characteristic with other Chinese international companies as identified by previous works (Nolan, 2001, Rugman; and Li, 2007).

Fifth, the results from Equation 4 suggest that ownership by the state does not play a significant role in the SMEs' international expansion. In addition, the evidence from Equation 5 shows that only financial support from the *Family* and other *Private* sources are relevant to cross the national boundaries. The latter findings are in line with the conclusions from previous works (Cai, 1999, Child; and Rodrigues, 2005, Mathews, 2006, Yamakawa, et al., 2008, Zeng; and Williamson, 2003, Zhang; and Van Den Bulcke, 1996). This private support is similar to the findings of the External and Internal models and may be linked to a transfer of the knowledge and skills needed to operate in international markets (Linkage in Mathew's LLL framework (Mathews, 2006)). It also seems to support Mathews' (2006) claim that the internationalisation of companies from China is based on a push and pull (from the family and from the international partner, respectively) process, rather than propelled only by a push process based on strategic objectives as in Western companies. On the other hand, the fact that state ownership does not play a relevant role in the firms' expansion could be interpreted within the comments from Child and Rodrigues (2005), that Chinese state-owned companies'

strategic position "could be weakened by the way they remain beholden to administrative approval and… a legacy of institutional dependence". The results obtained in this analysis are one of the first to provide empirical evidence of the effects of state ownership and financial support in the internationalisation of Chinese SMEs.

Sixth, from the results presented in this work, it seems that mainstream internationalisation theories do not appear to entirely fit the case of Chinese firms, similar to what previous theoretical papers have suggested. In particular, the evidence seems to suggest that competitive advantages (Porter, 1980), firm-specific advantages (FSA) (Rugman, et al., 2006), or ownership-specific advantages (Dunning, 1977) play a different role than that in Western companies; rather, it appears that the combination between internal and external factors is the main driver behind their internationalisation. In this process, the role played by the institutions is not clear, it may be negative as suggested by Child & Rodriguez (2005), or it could be a "cognitive effect" (very pragmatic and the result of balanced efforts between markets and government intervention) as proposed by Santiso (2005a,2005b); the fact that *Finance* does not seem to be a factor affecting these companies' international expansion may be a back-door way to explain their role. In other words, as Buckley et al. put it, the internationalisation of Chinese firms appears to have "both a conventional and an idiosyncratic dimension" (2007, p. 514).

All in all, the internationalisation of companies from EE is still an area in need of further research, although it seems to be an agreement in recent literature that mainstream internationalisation theories developed from companies based in Western economies do not entirely apply to the specifics of EE. From the evidence presented in this paper it appears that recently published theoretical models (mainly (Mathews, 2006, Yamakawa, et al., 2008) are a most suitable approximation, but the literature on EE-based companies still needs to have a better understanding of the interaction among the external factors, internal factors, and the

institutions, as it is evident that the three play an important role in the firms' internationalisation process.

To conclude, and more broadly, the national and international expansion of emerging countries' SMEs presents interesting routes for developing the IB agenda. In this sense, Buckley (2002) suggested that one of the potential areas for IB research in the future is the identification of trends towards and away from globalisation, to which Peng (2004) added that future studies need to have a focus on the factors affecting the success and failure of firms in international markets. From what this article has presented it is possible to argue that the combination of external factors (industry-based view), internal factors (resource-based view), and ownership/funding types (institutional-based view), and how this combination has an impact on the internationalisation process of EE-based firms, are all affecting globalisation, and as a consequence, the internationalisation of firms in ways which have yet to be understood.

TABLE 1: DEFINITION OF SMALL AND MEDIUM-SIZED ENTERPRISES

	Employees	Sales	Total Assets
Industry	2,000	3,000	4,000
Construction	3,000	3,000	4,000
Wholesale	200	3,000	
Retail	500	1,000	
Transportation	3,000	3,000	
Postal Service	1,000	3,000	
Accommodation & Restaurant	800	3,000	

TABLE 2: SELECTED ANSWERS FROM THE SURVEY (n=137)

		Gender of respondent		Studies of respondent		State-owned	Active Participation			Funding sources in the last two years				% of SMEs with sales in different markets				
22-34	35-44	M	F	UG	PG		Brother/sister	Husband/wife	Father/mother	Loans from banks	Own savings	Previous years' profits	Private investors	76-100% Domestic	76-100% Regional	76-100% National	26-75% RoW	76-100% RoW
47%	22%	74%	26%	59%	29%	19%	28%	31%	20%	21%	8%	16%	10%	14%	2%	6%	2%	3%

		Profits during last year							Main Activity									Years since start-up	
Decreased	Slightly decreased	Kept at same level	Slightly increased	Increased	Manufacture	Hotel/Rest	Retail	Wholesale	Professional Services	IT	Construction	Transportation	Real estate	Finance/insurance	Health/Education	Others	4-6	>6
7%	13%	21%	25%	33%	20%	8%	1%	10%	9%	8%	7%	2%	6%	6%	4%	19%	24%	52%

FIGURE 1: DEFINITION OF VARIABLES (SCALE VARIABLES USING A 5-POINT LIKERT-TYPE SCALE)

Internal Barriers		External Barriers	
InfoSources	The company has access to the relevant information sources to identify external markets for the company's products and services	Paperwork	It is considered that the paperwork related to exports is complicated and costly
Data	The company has the relevant data to assess the possibilities that the international markets are offering	Communication	Communication difficulties affect the normal development of business abroad
Contacts	The company has difficulties in identifying and contacting potential customers in markets overseas	Payment	Payment collections make export activities more difficult
Time	The daily management of the company does not give enough time to think about exports	Assistance	The government offers inadequate assistance and incentives to carry out export activities
Skills	There are persons in the company that have the right skills to manage export-related activities	DomRegulations	The regulations in place make it more difficult to capitalise on opportunities in international markets
Facilities	Limited production facilities do not allow the company to consider exports	Preferences	The different preferences, patterns, prices, and communication of customers in international markets make exports more difficult
Finance	The company has access to the necessary financial resources to fund an export-oriented plan	Competitiveness	The target international markets are perceived as highly competitive
Product	The current product portfolio is not adequate to serve the identified international markets	EconEnvironment	The deterioration of the countries' economic environment is an additional barrier to exports
Design	The design of our products is adjusted to the needs and tastes of customers in markets overseas	ExchRate	Exchange rate variations represent an important risk for the company's exports
Quality	The products' quality standards meet the needs of customers in international markets	PolInstability	The political instability in external markets is seen as a barrier to exports
Labels	The products' labels and packaging meet the requirements of the target markets	HostRegulations	The different regulations in external markets make access and operations more difficult
PostSale	The company has the means to offer an adequate post-sale service to its customers overseas	Tariff&NTB	The tariff and non-tariff barriers in international markets restrict export activities
Price	The retail price of the company's products are adequate for the final consumers in international markets	Familiarity	The lack of familiarity with commercial practices abroad affect the company's operations
CompPrice	The company finds it difficult to meet the competitors' prices in the targeted international markets	Socio-cultural	The socio-cultural differences (religion, values, customs, attitudes, etc.) are considered obstacles to export activities
Credit	It is difficult for the company to give credit to customers in international markets	Verbal	The differences in verbal and non-verbal language affect the activities carried out in external markets
Distribution	The company finds the distribution channels complex to serve international markets		
DistAccess	It is complex and costly to access the distribution channels to export the company's products		
Representatives	It is difficult to find reliable representatives abroad		
Control	It is difficult to exercise effective control over the middlemen in international markets		
Supply	The company finds many difficulties in supplying adequately international markets		
Warehouses	The countries where the company exports to do not have adequate warehouse facilities		
Transport	The company considers that the transport and insurance costs related to exports are excessive		
Promotion	It is difficult to adjust the promotional activities to international markets		

TABLE 3: CORRELATION MATRIX FOR THE EXTERNAL BARRIERS MODEL - KENDALL'S τ COEFFICIENT

	Paperwork	Communication	Payment	Assistance	DomRegulations	Preferences	Competitiveness	EconEnvironment	ExchRate	PolInstability	HostRegulations	Tariff&NTB	Familiarity	Socio-cultural	Verbal
Paperwork	1.00														
Communication	.453(**)	1.00													
Payment	.436(**)	.563(**)	1.00												
Assistance	0.10	-0.03	0.10	1.00											
DomRegulations	.223(**)	.220(**)	.374(**)	-0.05	1.00										
Preferences	.447(**)	.379(**)	.360(**)	0.06	.275(**)	1.00									
Competitiveness	.302(**)	.253(**)	.374(**)	0.13	.310(**)	.465(**)	1.00								
EconEnvironment	.286(**)	.316(**)	.243(**)	0.07	.219(**)	.362(**)	.400(**)	1.00							
ExchRate	.235(**)	.208(**)	.223(**)	-0.03	.314(**)	.175(*)	.374(**)	.472(**)	1.00						
PolInstability	.307(**)	.252(**)	.291(**)	0.12	.211(**)	.304(**)	.234(**)	.380(**)	.338(**)	1.00					
HostRegulations	.343(**)	.266(**)	.211(**)	0.00	.189(*)	.321(**)	.199(*)	.295(**)	.375(**)	.600(**)	1.00				
Tariff&NTB	.396(**)	.236(**)	.336(**)	0.13	.286(**)	.348(**)	.297(**)	.318(**)	.401(**)	.455(**)	.520(**)	1.00			
Familiarity	.573(**)	.491(**)	.424(**)	0.06	.186(*)	.392(**)	.284(**)	.327(**)	.212(**)	.414(**)	.320(**)	.330(**)	1.00		
Socio-cultural	.384(**)	.510(**)	.438(**)	0.05	.259(**)	.373(**)	.307(**)	.360(**)	.302(**)	.379(**)	.273(**)	.293(**)	.509(**)	1.00	
Verbal	.429(**)	.408(**)	.474(**)	.162(*)	.274(**)	.323(**)	.254(**)	.325(**)	.299(**)	.393(**)	.395(**)	.376(**)	.463(**)	.511(**)	1.00

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

TABLE 4: CORRELATION MATRIX FOR THE INTERNAL BARRIERS MODEL - KENDALL'S τ COEFFICIENT

	InfoSources	Data	Contacts	Time	Skills	Facilities	Finance	Product	Design	Quality	Labels	PostSale	Price	CompPrice	Credit	Distribution	DistAccess	Representatives	Control	Supply	Warehouses	Transport	Promotion
InfoSources	1.00																						
Data	.180(*)	1.00																					
Contacts	0.12	-0.02	1.00																				
Time	0.01	-.155(*)	.303(**)	1.00																			
Skills	0.03	.500(**)	-.183(*)	-.185(*)	1.00																		
Facilities	0.03	-0.11	.423(**)	.591(**)	-0.13	1.00																	
Finance	0.15	.307(**)	-0.08	-0.10	.400(**)	-0.11	1.00																
Product	-0.01	-0.12	.168(*)	.365(**)	-0.11	.408(**)	0.07	1.00															
Design	0.05	.339(**)	-0.14	-.167(*)	.357(**)	-0.10	.330(**)	0.13	1.00														
Quality	0.14	.411(**)	-0.13	-.186(*)	.367(**)	-.205(**)	.340(**)	-0.01	.574(**)	1.00													
Labels	0.07	.276(**)	-0.04	-0.11	.337(**)	-0.14	.275(**)	-0.05	.280(**)	.339(**)	1.00												
PostSale	.168(*)	.341(**)	-0.13	-0.03	.332(**)	-0.04	.276(**)	-0.01	.307(**)	.404(**)	.332(**)	1.00											
Price	.186(*)	.191(*)	0.02	-.177(*)	.300(**)	-0.06	0.14	0.08	.334(**)	.308(**)	.347(**)	.216(**)	1.00										
CompPrice	-0.10	-0.03	.176(*)	.445(**)	-0.08	.389(**)	0.00	.323(**)	-0.03	-.149(*)	-0.08	0.09	-0.06	1.00									
Credit	-0.10	-0.11	0.11	.331(**)	-0.05	.282(**)	0.00	.275(**)	0.03	-0.04	-0.06	-0.09	0.09	.530(**)	1.00								
Distribution	0.00	-0.10	.250(**)	.468(**)	-0.11	.511(**)	0.02	.316(**)	-0.10	-0.13	-0.03	0.03	-0.07	.560(**)	.489(**)	1.00							
DistAccess	0.07	0.01	.259(**)	.376(**)	-0.04	.385(**)	0.08	.259(**)	0.02	-0.08	0.00	0.07	0.08	.356(**)	.273(**)	.520(**)	1.00						
Representatives	0.02	-0.09	.223(**)	.289(**)	0.06	.348(**)	0.15	.295(**)	0.09	-0.02	0.00	-0.07	.157(*)	.253(**)	.337(**)	.374(**)	.377(**)	1.00					
Control	-0.02	-0.08	.174(*)	.291(**)	0.10	.256(**)	0.11	.336(**)	.181(*)	0.03	-0.04	-0.01	.226(**)	.247(**)	.323(**)	.239(**)	.409(**)	.552(**)	1.00				
Supply	-0.02	-0.12	.328(**)	.347(**)	0.00	.360(**)	0.08	.326(**)	0.04	0.03	-0.02	0.01	0.11	.281(**)	.359(**)	.446(**)	.359(**)	.318(**)	.368(**)	1.00			
Warehouses	0.04	0.06	.191(*)	.275(**)	0.01	.349(**)	0.14	.166(*)	0.10	0.01	0.06	0.05	.173(*)	.275(**)	.283(**)	.274(**)	.297(**)	.416(**)	.322(**)	.443(**)	1.00		
Transport	0.04	0.08	0.13	.319(**)	-0.03	.297(**)	0.12	.266(**)	0.15	-0.01	0.02	.162(*)	0.04	.234(**)	.203(**)	.290(**)	.345(**)	.295(**)	.225(**)	.401(**)	.382(**)	1.00	
Promotion	-0.09	-0.02	.196(**)	.168(*)	0.10	.250(**)	.158(*)	.237(**)	0.06	0.07	0.00	-0.10	0.01	.237(**)	.324(**)	.242(**)	.191(*)	.408(**)	.349(**)	.281(**)	.313(**)	.236(**)	1.00

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

TABLE 5: CORRELATION MATRIX FOR THE INDUSTRY MODEL – PEARSON'S ρ COEFFICIENT

	Manufacture	Hotel/Rest	Retailer	Wholesaler	Professional Ss	IT	Construction	Transportation	Real estate	Finance/insurance	Health/Education/Social SS	Others
Manufacture	1.00											
Hotel/Rest	-0.15	1.00										
Retailer	-0.04	-0.02	1.00									
Wholesaler	-0.12	-0.10	-0.03	1.00								
Professional Ss	-0.16	-0.09	-0.03	-0.11	1.00							
IT	-0.15	-0.08	-0.03	-0.11	-0.09	1.00						
Construction	-0.14	-0.08	-0.02	-0.10	-0.08	-0.08	1.00					
Transportation	-0.08	-0.04	-0.01	-0.05	-0.05	-0.05	-0.04	1.00				
Real estate	0.01	-0.08	-0.02	-0.10	-0.08	-0.08	0.05	-0.04	1.00			
Finance/insurance	-0.12	-0.07	-0.02	-0.08	-0.07	-0.07	-0.06	-0.04	-0.06	1.00		
Health/Education/Social	-0.11	-0.06	-0.02	-0.08	-0.07	-0.06	-0.06	-0.03	0.09	-0.05	1.00	
Others	-.21(*)	-0.14	-0.04	-0.12	-0.16	-0.15	-0.13	-0.08	-0.06	-0.12	-0.11	1.00

*. Correlation is significant at the 0.05 level (2-tailed).

TABLE 6: CORRELATION MATRIX FOR THE OWNERSHIP MODEL – PEARSON'S ρ COEFFICIENT

	Family	Special Partnerships	Financial Institutions	State
Family	1.00			
Special Partnerships	-.487(**)	1.00		
Financial Institutions	-.199(*)	-0.09	1.00	
State	-.570(**)	-.294(**)	-0.11	1.00

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

TABLE 7: CORRELATION MATRIX FOR THE FUNDING SOURCES MODEL – PEARSON'S ρ COEFFICIENT

	Personal	State	Private
Personal	1.00		
State	-0.10	1.00	
Private	-0.10	0.02	1.00

TABLE 8: RESULTS FROM A REGRESSION – EXTERNAL BARRIERS MODEL

	Panel A: dependent variable R_i								Panel B: dependent variable N_i				Panel C: dependent variable I_i					
	Reg 1		Reg 2		Reg 3		Reg 4		Reg 1		Reg 2		Reg 1		Reg 2		Reg 3	
	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t
a	0.55	3.44	0.70	5.84	0.69	5.85	0.66	5.66	0.33	2.49	0.37	3.52	0.13	1.10	0.16	1.76	0.11	1.30
Paperwork	-0.11	-2.08	-0.09	-1.75	-0.09	-1.90	-0.12	-2.84	0.07	1.61	0.09	2.35	0.04	1.06	0.03	0.94		
Communication	0.12	2.26	0.11	2.25	0.11	2.24	0.09	1.89	-0.11	-2.47	-0.09	-2.59	-0.01	-0.33				
Payment	-0.10	-1.86	-0.10	-2.05	-0.11	-2.20	-0.11	-2.33	0.04	0.81			0.06	1.68	0.06	1.94	0.07	2.26
Assistance	0.03	0.84							-0.05	-1.52	-0.05	-1.79	0.02	0.57				
DomRegulations	0.00	-0.03							0.02	0.64			-0.02	-0.69				
Preferences	-0.05	-0.92							0.03	0.73			0.02	0.44				
Competitiveness	0.12	2.27	0.13	2.72	0.13	2.69	0.12	2.63	-0.02	-0.39			-0.11	-2.72	-0.10	-2.94	-0.10	-2.96
EconEnvironment	0.02	0.28							-0.06	-1.00			0.04	0.75				
ExchRate	0.01	0.25							0.02	0.49			-0.04	-0.91				
PolInstability	0.00	-0.03							-0.02	-0.45			0.03	0.56				
HostRegulations	0.08	1.00							0.01	0.15			-0.09	-1.57	-0.08	-1.73		
Tariff&NTB	0.05	0.86							0.04	0.69			-0.09	-1.99	-0.09	-2.12	-0.12	-3.44
Familiarity	-0.06	-1.05	-0.07	-1.30	-0.08	-1.45			-0.07	-1.42	-0.07	-1.73	0.13	3.09	0.15	4.29	0.16	4.98
Socio-cultural	-0.03	-0.46							0.00	0.00			0.03	0.64				
Verbal	-0.06	-1.13	-0.02	-0.50					0.07	1.59	0.08	2.30	-0.01	-0.24				
R^2	0.19		0.15		0.14		0.13		0.16		0.13		0.32		0.29		0.28	

TABLE 9: RESULTS FROM A REGRESSION – INTERNAL BARRIERS MODEL

	Panel D: dependent variable R_i								Panel E: dependent variable N_i								Panel F: dependent variable I_i					
	Reg 1		Reg 2		Reg 3		Reg 4		Reg 1		Reg 2		Reg 3		Reg 4		Reg 1		Reg 2		Reg 3	
	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t
a	0.64	3.13	0.65	3.57	0.63	3.93	0.53	3.57	0.42	2.26	0.35	2.63	0.37	2.78	0.40	3.07	-0.06	-0.38	0.12	1.08	0.10	0.91
InfoSources	0.06	1.05	0.06	1.27					-0.03	-0.71							-0.02	-0.54				
Data	0.02	0.43							0.04	0.93							-0.07	-1.66	-0.08	-3.36	-0.09	-3.43
Contacts	-0.01	-0.11							-0.10	-2.33	-0.09	-2.33	-0.08	-2.29	-0.07	-2.13	0.11	2.92	0.14	4.84	0.14	4.79
Time	0.00	0.06							-0.03	-0.76							0.03	0.83				
Skills	0.07	1.36	0.07	1.81	0.06	1.71	0.06	1.75	-0.04	-0.87							-0.03	-0.76				
Facilities	-0.07	-1.37	-0.07	-1.77	-0.05	-1.24			0.05	1.19	0.02	0.54					0.02	0.40				
Finance	-0.05	-1.10	-0.05	-1.13					0.04	0.95							0.01	0.32				
Product	0.02	0.39							-0.02	-0.52							0.00	0.10				
Design	0.07	1.17	0.10	2.27	0.10	2.46	0.10	2.61	-0.07	-1.39	-0.07	-2.18	-0.07	-2.26	-0.07	-2.08	0.00	0.10				
Quality	0.04	0.71							-0.03	-0.54							-0.01	-0.30				
Labels	-0.02	-0.49							-0.01	-0.27							0.04	0.97				
PostSale	-0.01	-0.29															0.02	0.57				
Price	0.00	-0.06							-0.01	-0.16							-0.02	-0.60				
CompPrice	0.01	0.20							0.03	0.57							0.01	0.30				
Credit	-0.06	-1.08	-0.05	-1.21					-0.02	-0.48							0.03	0.81				
Distribution	-0.10	-2.00	-0.10	-2.24	-0.12	-2.90	-0.15	-4.17	0.02	0.51	0.05	1.43	0.06	1.73	0.07	2.02	0.04	0.98				
DistAccess	0.09	2.04	0.09	2.09	0.11	2.66	0.10	2.51	0.07	1.40	-0.07	-2.02	-0.07	-2.00	-0.07	-1.96	-0.01	-0.40				
Representatives	-0.02	-0.38							-0.08	-1.94							0.05	1.34	0.07	2.09	0.06	1.91
Control	0.06	1.30	0.05	1.35					-0.03	-0.70							-0.09	-2.45	-0.07	-2.36	-0.07	-2.43
Supply	-0.06	-1.35	-0.06	-1.58	-0.04	-0.96			0.03	0.63							0.02	0.70				
Warehouses	0.07	1.45	0.06	1.45					0.04	0.91							-0.03	-0.85				
Transport	-0.09	-1.95	-0.10	-2.31	-0.09	-2.21	-0.10	-2.55	-0.04	-0.90	0.06	1.81	0.07	1.90	0.08	2.19	0.02	0.63				
Promotion	-0.02	-0.36							0.07	1.63	0.05	1.53	0.05	1.57			-0.04	-1.30	-0.03	-0.90		
R^2	0.34		0.33		0.29		0.27		0.17		0.13		0.13		0.11		0.38		0.27		0.27	

TABLE 10: RESULTS FROM A REGRESSION – INDUSTRY MODEL

	Panel G: dependent variable R_i								Panel H: dependent variable N_i						Panel I: dependent variable I_i	
	Reg 1		Reg 2		Reg 3		Reg 4		Reg 1		Reg 2		Reg 3		Reg 1	
	β	t	β	t	β	t	β	t	β	t	β	t	β	t	β	t
a	0.54	3.71	0.51	12.17	0.51	12.33	0.53	13.25	0.24	2.06	0.20	5.47	0.19	5.43	0.22	1.84
Manufacture	-0.12	-0.80							0.14	1.11	0.19	2.55	0.20	2.73	-0.01	-0.11
Hotel/Rest	0.24	1.19	0.27	1.92	0.26	1.88	0.24	1.74	-0.12	-0.74					-0.12	-0.73
Retailer	0.46	1.03	0.49	1.16					-0.24	-0.67					-0.22	-0.60
Wholesaler	0.11	0.63							-0.08	-0.62					-0.02	-0.16
Professional Ss	0.21	1.11	0.24	1.89	0.24	1.85	0.22	1.70	-0.12	-0.77					-0.09	-0.60
IT	-0.18	-0.91							0.17	1.06	0.21	1.97	0.22	2.08	0.01	0.06
Construction	0.21	1.05	0.24	1.66	0.24	1.62			-0.17	-1.06	-0.11	-0.97			-0.04	-0.23
Transportation	0.13	0.45							0.09	0.39					-0.22	-0.94
Real estate	0.03	0.21							0.09	0.73					-0.13	-0.97
Finance/insurance	0.07	0.31							0.04	0.25					-0.11	-0.63
Health/Education/Social SS	0.20	0.93							-0.13	-0.75					-0.07	-0.40
Others	-0.07	-0.43							-0.01	-0.06					0.08	0.59
R^2	0.12		0.07		0.06		0.04		0.11		0.08		0.07		0.05	

TABLE 11: RESULTS FROM A REGRESSION – OWNERSHIP MODEL

	Panel J: dependent variable R_i		Panel K: dependent variable N_i		Panel L: dependent variable I_i			
	Reg 1		Reg 1		Reg 1		Reg 2	
	β	t	β	t	β	t	β	t
a	0.25	0.84	0.37	1.54	0.38	1.70	0.44	7.61
Family	0.42	1.37	-0.15	-0.59	-0.27	-1.20	-0.34	-4.73
Other partners	0.28	0.91	-0.02	-0.09	-0.26	-1.13	-0.33	-3.69
Financial institutions	0.10	0.27	-0.09	-0.29	-0.01	-0.05		
State	0.16	0.50	-0.24	-0.95	0.08	0.37		
R^2	0.06		0.04		0.16		0.16	

TABLE 12: RESULTS FROM A REGRESSION – FUNDING SOURCES MODEL

	Panel M: dependent variable R_i		Panel N: dependent variable N_i				Panel O: dependent variable I_i			
	Reg 1		Reg 1		Reg 2		Reg 1		Reg 2	
	β	t	β	t	β	t	β	t	β	t
a	0.47	5.87	0.26	3.91	0.24	4.36	0.27	4.30		
Personal	0.15	2.88	-0.07	-1.63	-0.07	-1.60	-0.08	-1.98	-0.08	-2.10
State support	-0.03	-0.54	-0.02	-0.49			0.05	1.21		
Private	0.03	0.67	0.04	1.25	0.04	1.25	-0.06	-2.17	-0.06	-2.16
R^2	0.07		0.04		0.03		0.07		0.06	

FIGURE 2: SUMMARY OF THE RESULTS

External Barriers (Equation 1)				Internal Barriers (Equation 2)		
Regional	**National**	**International**		**Regional**	**National**	**International**
Paperwork Communication Payment Competitiveness	Paperwork Communication Assistance Familiarity Verbal	Payment Competitiveness Tariff&NTB Familiarity		Skills Design Distribution DistAccess Transport	Contacts Design Distribution DistAccess Transport	Data Contacts Representatives Control

Industry (Equation 3)				Ownership (Equation 4)		
Regional	**National**	**International**		**Regional**	**National**	**International**
Hotel/Rest ProfessionalSs	Manufacture IT					Family SpecialPartnerships

Funding (Equation 5)		
Regional	**National**	**International**
Personal		Personal Private

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[1] Leonidou (2004) found two main types of barriers: (i) internal barriers are "associated with organizational resources/capabilities and company approach to export business" and can be broken down into Informational, Functional, and Marketing; on the other hand, (ii)

external barriers are those "stemming from the home and host environment within which the firm operates" and can be classified as Procedural, Governmental, Task, and Environmental.

[2] External: d_r=1.71; d_n=2.14; d_i=2.08. Internal: d_r=1.78; d_n=1.95; d_i=1.99. Industry: d_r=1.68; d_n=1.97; d_i=1.88. Ownership: d_r=1.63; d_n=2.01; d_i=1.79. Funding: d_r=1.66; d_n=2.04; d_i=1.85.

[3] White proposed to analyse the R^2 of a regression equation that includes the squared residuals from a regression model with the cross-product of the regressors and squared regressors.