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**Internationalization Process of Chinese Firm in Estonia: Case
Study QMESL Europe OÜ**

Bachelor's Thesis

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I declare I have written the bachelor's thesis independently.

All works and major viewpoints of the other authors, data from other sources of literature and elsewhere used for writing this paper have been referenced.

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ABSTRACT

With the development of globalization, increasing amount of firms from emerging market are expanding overseas based on various considerations. Research on internationalization Chinese firms' have been studied intensively by different scholars in the past few decades, the research mainly focus on multinational corporations (MNCs) rather than Small and medium-size enterprises (SMEs), on major economies rather than smaller-scale economies. Thus, the relevant studies on Chinese firms' internationalization in small economies lack the deep research in the literature.

This Bachelor's thesis is conducted in order to fill this research gap, meaning, thesis will analyze one Chinese SME that has chosen one small/open economy Estonia as the destination for internationalization. The thesis aims at exploring the internationalization motivation of the case company, the entry mode choices, and the initiation development of the subsidiary in Estonia.

This essay combines theory with case study, followed with a qualitative method of research.

Keywords: emerging market, QMESL Europe, internationalization process, motivation, network.

INTRODUCTION

Small and medium-size enterprises (SMEs) are a major income earner for the Chinese government contributing to 50% of the total gross income product of the economy (Timothy Sham, 2014). Estonia on the other hand, is the largest economy in the Baltic Region in steady economic growth as recorded in 2013 (Annika Laarmaa, 2015). Various research studies have been conducted on the trade between China and the Baltic region, but at a larger scale involving multinational corporations. Studies on how huge multinational corporations are dominating various Baltic economies and other economic blocks of the world have filled libraries and theories of how they have approached the market have been published.

Multinational corporations have raised the foreign direct investment (FDI) and gross domestic product (GDP) of various economies to an incomparable scale. Examples of large multinational companies in the Baltic region include Huawei and Lenovo. These companies repatriate close to hundred million dollars in China, as revenue and tax each financial year. This is the practice of multinational enterprises over several years of dominating the market, where they invest in countries that are still developing thus establishing product loyalty in the region. However, SMEs have also crossed borders and established profitable grounds in foreign countries. A majority of Chinese imports from the Baltic region have later on been sold to other international markets. The trade potential coefficient between the two regions is continuously rising. In 2015, round 45% was contributed by the SMEs. Such companies include Dongbao pharmaceuticals that ferry medical drugs from the Baltic region from where it is later processed in Shanghai for further packaging. The Jilin New Energy Corporation has invested close to 130 million euros in the industry (Toomas Hõbemägi, 2012).

The purpose of this research studies on the Anhui QMESL Technology Company is to establish and cement the thesis that SMEs have internationalized their enterprises worldwide and have seen profitable gains almost the same as multinational enterprises that have been in the market for a longer period. Additionally, the research aims at investigating what techniques these

corporations have used and what sort of motivation encourages more SMEs companies to internationalize their companies.

The purpose of this research is derived from some aspects and facts regarding the company used as the case study. For instance, Anhui QMESL Technology Company Limited, called QMESL Europe OÜ in Estonia, has created a network of related companies that has connected more than 200 companies across the region including marketing for large multinational corporations such as the Jilin Energy Company. The company has earned 60 million euro annual turnover (Baltic china group, 2015). The reason this corporation is chosen as the case study is because of the hugely profitable margins the firm has experienced since its entrance in the Estonian market. This information is vital in directing the purpose of the research to a more concrete direction.

The research method used is qualitative mechanism, and it uses the qualitative methodology of research to determine its results. The variables used include the FDI and the GDP growth rate experienced in the region and the value these enterprises have added to the economies they are established. Additionally, the research investigates what sustains these enterprises in the economies they operate. The purpose of the research thus is to satisfy the thesis, internationalization of Chinese firms in the Baltic region has been through SMEs.

The research questions used in the research analysis establishing whether there is indeed the existence of SMEs in the Estonia and most specifically, the Anhui QMESL Technology Company. The research questions are derived from factual matters revolving around the company used as the case study. For instance, for this research analysis, QMESL Europe OÜ is used as case study. The corporation is an electro-acoustic corporation, which deals with the production of lighting bulbs. QMESL China was set up in 1994 and subsidiary (Estonia) was in 2015. The research questions are:

1. What is the competitive advantages of doing business in Estonia?
2. Why QMESL China enter the Estonia market? And what kind of development form?
3. Using the relevant internationalization theory explain how the corporation has accrued economic support from its home government

The objective of this research is to fill the research gap created by lack of research on the internationalization of SMEs, meaning, this paper will analyze one Chinese SME (QMESL

Europe OÜ) that has chosen one small/open economy Estonia as the destination for internationalization. The thesis aims at exploring the internationalization motivation of the case company, the entry mode choices, and the initiation development of the subsidiary in Estonia. This is achieved by determining the variables that have been used to determine the internalization of SMEs in Estonia and most especially by the Anhui QMESL Technology Company in sales and marketing of their lighting products, together with the latest by products; paper cups and plates. Additionally, the research objective is to determine how these companies are motivated and how they have survived in the market for the time they have existed. Furthermore, the research aims at determining the methodology used by the firms in marketing their products and services.

The research aims at proving the thesis statement SMEs have conducted an effective internationalization process and have made profitable gains. The methods and the penetration processes in the Estonian market have been identified. The utilization of the Uppsala method also identified as the U-model in the implementation of SME policies in Estonia. The qualitative research will utilize both the management and the consumer to collect the data required. The management process is essential as they provide firsthand experience over how the entrance into Estonia progresses yearly due to the introduction of SME and how they have utilized the theories stated above to settle in effectively. The qualitative research methodology will provide firsthand experience of how the SMEs have adopted in Estonia. Additionally, the research categorizes the people connected with the SME, whether they are government, management, customer, investors or the intermediate society affected by the SME in whichever light. The conclusive results will determine how SME have conquered the macro and micro economies of the Baltic region with close reference to Estonia and Latvia.

1. LITERATURE FRAMEWORK

QMESL as an SME is incredibly suited to expand to become a multinational corporation in the next few years. This is because of its expansion from a small and medium sized enterprise that is based in China to an enterprise that is searching for more overseas' market share and ways to export its product and commodities. This can be depicted explicably in the following section of this literature review. The theoretical background of this case study depends of the various internationalization theories that exist in reference to SMEs such as the QMESL and its new role in Estonia.

1.1. Internationalization Theories

Internationalization is simply the procedure used by enterprises to increase their involvement and presence in international markets. Additionally, it can be defined as the mechanism through which an organization's operations (structure, strategy, and resources) are adapted in foreign environments. Due to the lack of a clear singular meaning, there have been several definitions which have been developed in order to satisfy theorists and economists for purposes of expanding the internationalization of SMEs such as QMESL globally. There are numerous theories that have been utilized and developed in order to fully explain the definition and the meaning of internationalization. They include both trade theories and traditional theories such as the absolute cost advantage theory, comparative cost advantage theory, the Uppsala model, and the transaction cost theory and lastly the foreign direct investment (FDI) theory (Johanson and Vahlne, 1997). Some are explained below:

Absolute cost advantage theory

This theory was developed by Adam Smith and encompasses the fact that any given country should always export and specialize in exports and commodities that it can accrue absolute advantage on perpetually. The absolute advantage in the case of QMESL will mean that it can produce its light bulbs and other electric light support package with less costs per each unit than all its competing trading partners. This theory also asserts that comparative advantage is also important and more profitable than the normal absolute advantage since it extends and goes beyond the possible mutual profits and benefits that can accrue to each country. This means that it is not necessary for SMEs to have absolute advantage but comparative advantage is vital for possible gain in any trade to be realized. This theory is effectively applicable in explaining why SMEs such as QMESL have higher gains in Estonia from trade transactions due to the effect of absolute advantage (Adam Smith, 1776).

Comparative Cost Advantage Theory

Developed by David Ricardo, this theory argues that any country does not require absolute advantage in order to be productively viable and rip the full benefits from the international trade that it carries with other countries. Relative advantage in this case is more profitable than that of absolute advantage between two or more countries. This is because relative advantage means that there is an ongoing ratio of labor embodied specifically in the two goods/commodities between the two firms/countries such that each firm/country will eventually have at least one good/commodity where the relative labor amount embodied will be pragmatically less than that of the other firm/country. These firms are of course in different countries. This means SMEs such as QMESL can benefit greatly from their internationalization program in the bid to tap the Estonian market and make more profits and increase the market share for their product (David Ricardo, 1817).

The Uppsala Model

Johanson and Vahlne (1977, 1990) and Johanson and Wiedersheim-Paul (1975) developed the Uppsala model. The Uppsala model is a theory that explains how firms gradually intensify their activities in foreign markets ((Elgar and Edward, 2003). The Uppsala Model articulates that different firms slowly intensify their operational mechanisms and activities in overseas' markets. This theory stipulates that firms, companies and enterprises first gain basic experience from the

existent domestic market before moving and expanding into foreign markets. This is followed by these firms moving into geographically and culturally viable countries and using traditional exports that gradually move to utilizing more demanding and intensive operational modes such as sales subsidiaries. Basically, a firm cannot move into a foreign market that it does not understand geographically and also it cannot market its goods and commodities in a traditionally intolerant society. The firm or company has to make slow steps from its home country and gradually move to foreign markets that are easy to tap into and easy to control. This theory best explains how SMEs such as QMESL best acquired their foreign market in Estonia.

The Transaction Cost Theory

This theory articulates that any firm or company consists of different economic theories that assert its definition with reference to the nature of the firm, corporation or company with inclusion of its existence, its relationship with the current market and its behavior. Developed and set out by Ronald Coase, this theory asserts that each firm must be analyzed from the instrument of compatibility and from a realistic perspective. Ronald asserts that any firm's interactions with other firms in any market might be out of its control, for example, due to the effect of sales taxes, but still, pre-knowledge of such markets is vital for firms. This theory asserts that firms normally use traditional exports in the foreign markets which is important to secure profits and ensure expansion so as to move later to more complex operational modes. This can be imperative for SMEs such as QMESL (Ronald Coase, 1960 and Oliver Williamson, 1985).

Foreign Direct Investment (FDI) Theory

The various theories used to explain internationalizing as a process are not as effective as the FDI theory. It asserts that there are cases where one firm or company makes the initiative of making a physical investment in another country, mostly through building of a factory or an operating building in that foreign country. In simple terms, this theory asserts that there are times that there is an establishment of an enterprise in a foreign country. This is not done by most SMEs due to the lack of the colossal capital to make such permanent foreign investment decisions. However, it has been done and completed in smaller scale with companies such as QMESL. However, most SMEs are not applicable when it comes to this theory due to the fact that they never take such great steps in building factories in foreign lands (Kim, 2008).

In reality, multinational corporations (MNCs) are the ones which have a parent enterprise together with one or even more foreign affiliates. However, for SMEs to qualify as workable enough to be defined by this theory, there is the additional exception which dictates that investments that have been made so as to acquire perpetual interest in various enterprises operating in foreign countries. Additionally, in order for the investment to be termed as being FDI, the parent company has to acquire control totally over its foreign affiliate. Such companies and firms that acquire such interests are also examples of enterprises defined by the FDI theory and this include several SMEs such as QMESL (Dunning and Kim, 2008).

1.2. Uppsala Model & Born Global

Two internationalization models dominate today: the “Uppsala Internationalization Process Model” (Johanson and Wahlne, 2009) and the “Born Global” model (Madsen and Servais, 1997).

The Uppsala model in reference to internationalization of SMEs such as the QMESL through its new entrance in the Baltic region (Estonia) can be explained from a learning and evolutionary point of view. However, the Uppsala model in reference to internationalization alone is derived from the behavioral theory which asserts that the nature and existence of a firm or company is solely dependent on the nature of its clients, customers or consumers and also its country of origin. The Uppsala Model asserts that the theory of internationalization has strength mainly based on the knowledge of conducting businesses effectively in foreign lands and foreign markets on which without sufficient knowledge, the company such as QMESL which desires to internationalize will be ultimately rendered handicapped.

Usually born global companies are small companies. Born global is a type of company that from the beginning of its activities pursues a vision of becoming global and globalizes rapidly without any preceding long term domestic or internationalization period (Globalnegotiator, 2015). The born global theory on the other hand asserts that there is a rapid growth of small and medium sized companies, firms and also organizations internationally which can be attributed to the process of internationalization. Therefore, the concept merely means

covers the small and medium sized companies, firms and organizations that are growing rapidly, for instance, this paper's case study, QMESL Europe which has now opened its foreign ventures in Estonia. The Uppsala Model together with the born global theory go hand-in-hand and are interrelated in many ways which will be depicted in this paper (Rennie, 1993 and Oviatt and McDougall, 1994).

Firms that utilize the Uppsala model of internationalization theory have a tendency of entering new markets successfully. The various hindrances which impede the flow of information from one country/market to another country/market include language disparities, differences in education backgrounds, business practices that differ, cultural disparities and differences in industrial development levels. This, according to the Uppsala model, shows that there is need for socio-economic and socio-cultural environments to relate together so that the company can easily enter the new market. This is imperative so as to fill the gap that exists due to the fact that there are disparities in the way of life, government structures and organizations between the domestic country of the firm or company entering the new market.

On the born global concept, any SME such as the QMESL Europe will have to plan differently from other competitors from the Chinese market that are interested in the Baltic market share. This will require that as a small and medium sized company, QMESL Europe will utilize different strategies to use two or three different language patterns as the formal organization's language base and other strategies to suit the Estonian country's religion and traditional culture in order to penetrate and expand its domestic market faster and easily. Notably, the Uppsala model dictates that the internationalization process once started will continue to proceed onwards regardless of whether the various strategic plans, decisions or futuristic procedures are made or not meaning that the rapid growth is an important element since this is tied to the born global concept. This was the same fate for QMESL Europe as it entered the Estonian market and progressed to establish an affiliate in that country (Madsen and Servais, 1997).

The Chinese SME that has chosen one small/open economy Estonia as the destination for internationalization is a pertinent example of the Uppsala model and an effective and impeccable case of the born global concept. The Uppsala model of internationalization theory has two different types of knowledge that are involved within this theory. The first is the objective or the

general knowledge which can be imparted or taught easily while the second is the experimental or the market-specific knowledge that can only be taught through personal experience and happens to be very difficult to impart or transfer from its first/original source. Consequently, the experimental knowledge is imperative than the objective knowledge since it is difficult to acquire and almost invaluable. A perfect example of the importance of these two knowledge types can be demonstrated by case scenario of carrying out marketing reports and researches. If for example the QMESL Europe wants to acquire all the information regarding opportunities and threats in Estonia, this can be achieved from people living in the country easily. With such knowledge, there will be an experience which will generate business opportunities and contribute immensely as a driving force for QMESL Europe's internationalization process. This knowledge is experimental since it requires QMESL Europe to learn from its various activities in Estonia which means that acquisition of it will be gradual and this might limit the born global concept from occurring in the case of QMESL Europe. However, when this knowledge is pre-acquired the rapid growth will definitely occur as for QMESL Europe which means that the born global concept will be fully manifest in its market acquisition in Estonia.

Imperatively, the Uppsala model of internationalization theory on the case of SMEs is always dictated with gradual growth because most small and medium sized companies take time to learn their new foreign markets as they lack colossal amounts of prior knowledge from acquisition of other foreign markets as multinational corporations (MNCs). This coupled by the lack of vast capital for conducting researches to understand the market culture of foreign countries which are newly being tapped into makes it ever slower (Bell, 2001).

Under the Uppsala model of internationalization theory, firms and companies first achieve and attain their knowledge from their home market and then undertake the initiative to move towards foreign distant markets. The Chinese small and medium sized company did the same and formed an affiliate in the Baltic region in the country of Estonia. It started from its home country as Anhui QMESL Technology Company Limited to having an affiliate in Estonia as part of its European expansion scheme which is now called QMESL Europe. This is one of the most important characteristic of companies and firms that operate under the Uppsala model of internationalization theory. Additionally, it is the same characteristic bred by companies that SMEs that have grown rapidly as part of the born global concept due to initial knowledge of the

market which was conducted through experimental research so as to enable easy acquisition and establishment of the company in foreign markets (Johanson and Wahlne, 2009).

There is another relations which ties the Uppsala model of internationalization theory to the born global concept with reference to small and medium sized enterprises such as the QMESL Europe which is in Estonia searching for new market grounds. The Uppsala model of internationalization asserts that most small companies normally commence their foreign operations from geographically/culturally and also religiously nearer companies and gradually progress to other geographically and culturally far-away countries or market destinations. Anhui QMESL Technology Company Limited is located in the small town of Hefei which is nearer to Shanghai which is China's most populous and one of the most developed Chinese cities. However, before the Anhui QMESL Technology Company Limited had affiliate in Europe in such countries as Estonia which is used in this case study, it did manage to open affiliates in other paces nearer to its home country. This includes several other Chinese cities, Asian cities and countries such as Hong Kong and even in Japan and Korea. However, this places were not given priority due to their mere proximity to Anhui QMESL Technology Company Limited's home country, but because their culture and geographical closeness was more accustomed and easier to learn than far-away countries. This is of course through experimental knowledge (Johanson and Vahlne, 2009).

Born global as a concept is more operational under the multinational corporations since they are faster at operating nay form of business process due to the vast pool of capital and prior knowledge which may exist due to previous entrances in to other different foreign markets (Reid and Freeman, 2006). However, SMEs are fast growing and due to their internationalization process which are faster currently due to the effect of globalization, it is a fact to assert that China is leading on this course and has millions of successful small and mediums sized companies and enterprises globally. Internationalization for SMEs has become a global matter due to the fact that majority of the companies and firms that are exponentially expanding globally currently are mainly SMEs.

The born global concept has been made possible by numerous factors originating from the home country of Anhui QMESL Technology Company Limited. For instance, with advancement in education technology, the Chinese raw labor force, is not as much interested in this

government venture and are more interested in corporate jobs which they seem fit for their educational prowess. This has empowered the SMEs in China such as the Anhui QMESL Technology Company Limited in both a negative and a positive light. On the tough end, it lacks credible labor market back home and on the other hand, this gives the industry the opportunity to open up industries worldwide. Most notably, the developing countries have more labor resource as compared to capital and organizational type of factor markets.

Estonia is a perfect breeding environment for the SMEs such as Anhui QMESL Technology Company Limited, now called QMESL Europe OÜ in Estonia (Affiliate Company), because there is no levying of income tax, the legal technicalities involved in the setting up of an industry are almost none as countries as compared to other countries and the legal environment is business formidable. This is the perfect rationale behind its rapid internationalization process.

This means that the rest of the multinational corporations have long reached their goals are achieved their global expansion objectives which limits their internationalizations process due to lack of untapped new markets. The small and medium sized companies re also expanding and even altering their names for the purpose of entering new markets, same thing as the Anhui QMESL Technology Company Limited which upon entering he Estonian market used its European affiliate name, QMESL Europe. This has been accomplished by most SMEs due to the localization of their new firms in foreign markets in order to impede trade barriers, cultural hindrances and high transportation costs.

1.3. Operation Modes

Operation modes have been utilized by many businesses in order to compete and also to survive in various markets and make profits or meet specific objectives. The operation modes of businesses can simply be termed as the reason why certain small and medium sized companies and also multinational corporations are successful or business failures. The operation mode is the strategic maneuver and operational methodology that each company, firm and enterprise uses in order to meet its aims, objectives and goals. Most operation modes are deeply dependent on certain standards, theories and formulas which has proven to work. This means that it is possible

to find certain companies, firms or enterprises using the same operation mode in running their day-to-day business even though their goals and aims might differ (Hill, 2010).

The operation modes can simply be described as the methods through which businesses such as SMEs use to conduct their activities. For this research, the operation modes are the mechanisms used by SMEs such as QMESL Europe OÜ to internationalize and specifically focuses on their entrance and maintenance mechanism in new markets or countries. All SMEs such as QMESL Europe OÜ need various alternative operation modes in order to survive the first few months or even years in foreign markets. The operational modes are different for different SMEs since their internationalization processes might be different regarding speed and effectiveness. This can be attributed to various factors. For instance, with the least government support, SMEs in China hope to be more capital intensive rather than labor intensive as before and delve into more than just manufacturing centered. Just like the huge multinationals, SMEs are now liable to huge funding from the banks and other financial institutions and through the government; they are able to get international funds from donors and investors.

Over the years, huge multinational-corporations have dominated the economic world, partnering with foreign governments and creating huge profits from crossing borders daily by usage of colossally expensive and premeditated business operation modes in foreign markets. Most research content is sorely based on these corporations and their operation modes. To an average thinker that has no interest in the formation and development of countries worldwide; SMEs are restricted to their countries operating in a smaller scheme. However, with the technological growth overtaking most businesses, SMEs have taken this opportunity to grow and expand across countries and continents as multinational corporations. SMEs have been huge GDP growth contributors in various economies with China being at the forefront of the beneficiaries of the SME Evolution. Chinese SMEs such as QMESL have the aspect of internationalization as one of their most prized operation modes and aiming to becoming equally colossal in the long-run though rapid growth and takeover of smaller markets (Hill, 2010).

Most operation modes are governed by international concerns and global trade accords for internationalization processes. Eco-sensitive SMEs such as QMESL Europe have flooded the market and Chinese firms desire to create an economically favorable niche for all the companies that want make an entrance in this market. An above average lifestyle delves more into the

production of luxurious goods and customer market that majorly depends on the high end life. This includes the setting up of companies that have specialized in the production of yachts, cruise ships, personal jets and water boarding equipment.

It is imperative to note that the operation modes of QMESL Europe are guided or controlled by some facts regarding this Chinese SME that will be used to bridge the gap existence in this research field. QMESL's sales and marketing firm has expanded in Estonia due to its profitable ability to market the local companies in Estonia into joining the global market. In China, the brand has offices in Hefei, Qingdao, Shanghai, Wuhu, Nanjing, Baoding, and Nanchang and now it has offices and establishment in Estonia for its internationalization process. Therefore, one of its operation modes is to increase its present in Estonia in order to leverage against cases of intensive competition and business failure due to unknown contingencies. This means that QMESL Europe OÜ in Estonia will have to venture into other cities apart from its commencement city, Tallinn.

It is prudent to assert that the Anhui QMESL Technology, called QMESL Europe OÜ in Estonia, as a subsidiary industry, has utilized the Uppsala model and the born global approach as operation modes to advance their sales and penetration into the new markets in Estonia. This is the company most effective operation mode in Estonia. It analyses how the theories have linked the company to the model and how government's assistance in the project has reduced marginal costs incurred and with what percentage and created the company's operation modes in the long-run. The research investigated how intergovernmental institutions and host institutions have impacted the internationalization process of SMEs.

Focusing on the aforementioned factors, there is a linkage between QMESL Europe OÜ as a subsidiary of its holding company and Anhui QMESL Technology Company and the different performance it has had at their home country and in Estonia. The operation mode used at its home country cannot be the same method applied in Estonia due to cultural, economic, political and geographical disparities. The second operation mode relating to the connection of the company to abiding by current laws and regulations in Estonia is due to its importance as it helps to determine what role the government, the host country and the employees have on the spreading of the enterprise and its activities (selling lighting bulbs, paper and plastic commodities). These are important figures in the internationalization process and together with

proper resource capacity and a business driven management, steer the ship of internationalization to posterity and prosperity.

Moreover, operation modes of the called QMESL Europe in Estonia typically aims at determining how effective the internationalization process is affecting the industry and how effective these processes are to the SMEs growth. The research also aims at determining the operating modes and marketing choices and selections by the Anhui QMESL Technology industries and the international entrepreneurial procedures the company as seen to transverse the economic blocs.

The operation mode of QMESL Europe is likely to expedite and pick up fast due to the fact that the home country has enable d the company to grow exponentially. Notably, China is a rapid developing economy producing almost 34 % of consumer goods and electronic equipment of the world's output (Technology Institute, 2014). Over the years, Small and medium sized enterprises such as QMESL Europe in the country have grown to accommodate the growing population yearly and also act as an outsourcing agent for the raw materials available in the country and a market for the goods produced in the Chinese market. Over 80% of the working population is employed by small and medium sized enterprises (Zhi Zeng, 2014). This thoughtful venture has opened doors for Chinese private investors who have taken advantage of this lucrative venture and have expanded their ventures outside China. The government has provided a five year plan that plans to revive the companies not only in China, but as expatiator channels of experience and development for the people of China.

This operation mode is being taken oversees by SMEs such as QMESL Europe and this operation mode has already proven successful. The five year plan includes countries in the Baltic region such as Estonia, where SMEs have not picked as such as compared to the rest of the world. Additionally, the government has taken extra steps to ensure these companies have renewable contracts under these new governments and their stay is profitable back home in China. The major focus of Chinese Small and Medium Enterprises such as QMESL Europe OÜ include environmental and technological demands of the consumer. The consumer would like to reduce global degradation and pollution but at the same time maintain an above average economic standard. With this operation mode from the home country being applied relatively in foreign markets, it is sure to succeed as it has worked in China and can surely be minimally

adjusted to suit Estonia for QMESL Europe.

The operation modes of most SMEs that have internationalize mostly follow the operation modes of the mother company which are normally adjusted just to fit into the culturally, economically and politically different foreign markets. In the case of QMESL Europe OÜ in Estonia, it is imperative to note that the Chinese, ever since the olden ages, have exported their expertise and human resource to other regions. With the ever-growing Chinese population and more graduating every year, there is need for the government to creating business opportunities for its economy. The government could set up new companies and open up huge business opportunities for the youth. However, this is a long-term solution that would take huge investment plans and taking a big chunk from the country's expenditure index. Additionally, by the time these plans come into productivity, the lag time experienced would have indefinite damage on the Chinese economy. The resource capacity for the country is already strained as the government tries to balance the responsibilities to fulfill and quench the need of further investment. SMEs have offered a leeway out but on the terms that they be expatriated to developing nations that require this kind of expertise and the operation modes are meagerly altered business mechanisms that have already worked in China. The venture has previously been successful in India, Kenya, and Brazil and QMESL Europe is yet to fully takeover the Estonian market with regards to its products and commodities. This is because in the culturally different foreign market, the QMESL Europe is employing the operation mode of labor being paid per hour and it will work effectively. This is because in Estonia, labor has been consumed symbiotically earning remuneration from the growth of the business.

1.4. Market Choices and Selections

Market choices is the process of determining where a firm, company or enterprise is going to initiate its new or already existing company. The sole purpose of new market choices is for attracting and acquiring new or more clients, customers and consumers. It is apparently easier for multinational corporations (MNCs) to acquire new markets due to the vast pool of resources and the already successful initiations that have previously been done and applied in other markets and

worked. Small and medium sized enterprises, however, are beginning to internationalize and this is becoming increasingly more efficient in attracting new markets or pushing SMEs to look for foreign new markets. The choice for the new market depends solely on a number of aspects when it comes to SMEs such as the QMESL Europe. For instance, capital is a major factor that influence market choice since new market or entrance into a market that was previously untapped by any SME means that there has to be capital spent in hiring employees, marketing the products and commodities that the company or firm is selling, capital for registering the company or SME and also the money in renting or setting up factory. There are other auxiliary matters which also require capital and must be included not forgetting the contingency plans in case there are matters which were unplanned for and they happen to occur when least expected (Lin, 2010).

SMEs such as the QMESL Europe also have to realize that market choices are selected dependent on the aims and objectives of the company or firm. A market choice for an SME that is purely looking for profit will be negatively impacted if the company or firm sets up shop in a war-torn country where there is still cases of violence, for instance, civil unrest. However, for a company that is both focused in assisting people and also making profits and its growth depends on matters related to war, such as SMEs supplying hospitals with equipment, commodities needed in a hospice, the firm settling on a market choice in such a country will be very appropriate for its growth. Market choice is driven by factors that have to be considered long before the aspect of internationalization is given priority and any firm, whether a multinational corporation or a small and medium sized company, must be very careful, in selecting the final market choice as sometimes the wrong choice might lead to slower internationalization and major setbacks for the aims and objectives of expansion (Lin, 2010).

It is imperative to assert that market choice has always been a major aspect that has been included in the aims and objectives planning of major Chinese small and medium sized enterprises. The rationale as to why major Chinese SMEs are located and settling in African countries is because a market choice was made and it was deemed profitably viable to invest and start companies, firms an enterprises in Africa. This might be because of several factors which are easily tackled and beneficial for SMEs and actually do not impede their internationalization. These include the fact that African countries have widespread market scopes and large clientele. The rules and regulations in majority of African countries are not as stringent as other continents

such as Europe or South America. These factors when likened in the case of QMESL Europe make sense since the SME from China has established Estonia to be such a market as easily penetrated as the markets in African which are attracting majority of small and medium sized enterprises from all around the world.

Market choice are related to selection due tot the fact that the choice is the one which leads SMEs, companies, firms and even multinational corporations to select a given market over other. Importantly, this is very different between multinational corporations and small and medium sized enterprises. Multinational corporations are mainly interested in making more profits and have the capability of entering any market due to unlimited resources, power and influence due to their easily recognizable brand names and also due to other existent subsidiary firms that are sometimes registered under the names of these MNCs. However, for SMEs, the selection of a given market arising from a specific reason for that particular market choice is dependent in numerous matters which sometimes might not even within its scope of control. For instance, there are international trade regulations and accords that only foster trade among certain countries. For example, there is a multinational alliance in trade that has been fostered by Russia, china, South Africa, India and Brazil called BRICS. This alliance only permit multinational corporations from these specific countries to integrate their wealth and share trade agreements which benefits each other. For other multinational corporations which to transact with this conglomeration of countries (BRICS), there has to be a lot of influence, power and lobbying in order to reach such as accord, which in reality is possible since multinational corporations yield a lot of power. However, for small and medium sized enterprises that are not part of BRICS, it is difficult for them to have any form of transaction or agreement unless it's the BRICS block approaching them first to trade of its an SME that is vested in any of the countries that make up BRICS. This means that QMESL Europe will be able to flourish if it needs a market choice selection in any of the countries which is a member of BRICS. For other SMEs, the selection will be difficult due to lack of capital and influence to yield trade accords from BRICS. This proves that SMEs have a lot of planning and futuristic matters to take into account in their selection of their next market choice (Glowik and Smyczek, 2011).

Market choice yields final selection of the market which can be a state, island, country or continent for its activities and establishment. For instance, the Anhui QMESL Technology

Company as a Chinese SME made a market choice to enter the Estonian market and this selection has proved to be great so far. This might be to the reason that most of the Baltic region import cheap electronics so as to provide for its population which is relatively small compared to other countries in Europe surrounding the Baltic countries, for instance, Poland, Belarus, Russia and Finland. These countries are next to the Baltic region and their population and large as compared to Estonia. Therefore, the Anhui QMESL Technology Company using its European affiliate QMESL Europe comprehends that this market choice is easier to handle and enter given that the population is manageable and the returns and margin of growth for a Chinese SME in the region is equally high too. Market choice has a lot to do with the country when internationalization is concerned than it has to do with the market (people who make up the customer base) itself.

It is prudent to assert that majority of the SMEs from China are quickly taking advantage of market which are smaller and have to been tapped by multinational corporations as their primary market choices. This is economically effective in terms of reducing the among of capital that will have to be utilized in marketing, advertising and competition with MNCs which are more advanced and well-equipped when it comes to marketing and advertisement from scratch in new market choices in foreign countries. Small and medium sized companies such as QMESL Europe have a higher chance of growing fast by entering small markets which are untapped and making market choices into countries whereby the process of their internationalization will be swift and effectively eased. QMESL Europe has been having little or no competition at all in Estonia since there are not multinational corporations there in the Baltic region that are supplying same products and commodities that it sells, that is, lighting products, together with the latest by products; paper cups and plates.

Selection is the most difficult part since the market choice might be in a country and the selection of where the SME will begin its internationalization process is normally very difficult. It is normal for most small and medium sized companies to begin in the capital cities of major foreign countries due to the increased amount of trade activities that happens in major capital cities other than other towns in foreign countries. However, this solely depends on the on the fact that there is need for regulations and licenses which are best adhered to and applied for from the capital cities. However, other SMEs in other countries such as European SMEs entering the Chinese market prefer starting in other untapped cities since most of China's cities are densely

populated and this makes no difference when it comes to increased trade activities in such cities. For example, Shanghai is more populous than Beijing making it a better market choice for SMEs which are foreign in China. However, for QMESL Europe selling lighting products, together with the latest by products; paper cups and plates in Estonia, it made a market choice of establishing its commencement point in the capital city Tallinn.

Market choices affect each firm that is under internationalization entering the Baltic region. This is because, a 2009 survey points out that the Baltic region is the leading region in terms of promising futuristic revenue share at 41.9 % with the Asian market being the leading in terms of tradeoffs (Justė Pačkauskaitė, 2009). The European market promises to be the largest market in terms of revenues by 2015. This offers QMESL Europe and its products lighting products, together with the latest by products; paper cups and plates an opportunity to grow and expand in terms of popularity as well as revenues. The market has also matured over the past years and this gives QMESL Europe an opportunity to explore the various channels available through which it can make an entry into the market. Increased number of mobile application users means that the people can be reached through advertisements easily and this will increase awareness of the products offered by QMESL Europe. Low entry barriers as well as costs are also a blessing to the development of the QMESL Europe's products in Estonia.

1.5. International Entrepreneurship

International entrepreneurship has different meaning according to different economists, theorists and writers. International entrepreneurship as a field of research involves research into entrepreneurship in multiple countries and research into cross-border entrepreneurship (Lu and Beamish, 2001; Oviatt and McDougall, 2015). Simply put, it is the procedure through which any entrepreneur conducts business activities beyond his/her home boundaries. It can also be defined as the development and advancement of international ventures which mostly are newly created or start-ups which from their inception and initiation engage fully in international business. There has been constant growth of internationalization of both MNCs and SMEs to the point whereby most international entrepreneurs are now becoming more and more accustomed to doing business

activities in more than one country. That is the true meaning and current state of international entrepreneurship in the world today. International entrepreneurship has enabled small and medium sized companies to be called mini-multinational corporations due to the fact that they are all growing and becoming more successful and reaching more clients than ever before. It is through International entrepreneurship that QMESL Europe's products in Estonia are being sold and the Chinese SME is now beginning to venture into other cities in Estonia and also planning on entering the other Baltic countries Latvia and Lithuania.

Various theories have been put in place to explain the role of internalization process as an element of International entrepreneurship and how this relates to various business entities across the world. Numerous economists have critiqued and analyzed the theories relating to international entrepreneurship and how they have been applied to explain the constant growth of SMEs in different countries such as QMESL in Estonia. The existing research done on international entrepreneurship is vital as it is used in giving a numerical comparative analysis of how these businesses are growing and crossing states in Estonia, and how profitable it has been for both countries. The Uppsala model of economic expansion is related to international entrepreneurship and the born global takeover of the business class in Estonia (Oviatt and McDougall, 2005).

International entrepreneurship investigates how favorable the market in Estonia has accepted SME business. International entrepreneurship explains the role and mandate of different factors that encourage SMEs such as the QMESL company to set pitch in Estonia and what resources it is concerned with in the long-run. Moreover, international entrepreneurship is instrumental in explaining why majority of SMEs while internationalizing choose specific local locations to the setting up of their companies. It is prudent to assert that the reception of international entrepreneurship in reference to Chinese SMEs in foreign lands for the first time sometimes is normally varied as compared to that which multinational corporations that already exist in the same country and if it is different how the standards differ. However, international entrepreneurship still defines what encourages the Chinese investments to persevere the existent conditions in the countries they have ventured (Yeung and Liu, 2008).

International entrepreneurship has been beneficial in abetting the analysis of small and medium sized establishment have made humongous economic benefits from setting shops in Estonia. SME's are recognized by huge financial institutions and economic blocs as huge

contributors to the current financial giants and controllers of the world's economy. SMEs are widely dominant in the third world and most developing countries as they promote the function of the private sector in various economies. The variable used to distinguish SMEs from other multinational corporations has been a constant debate as to which terms fit the best. Additionally, the various definitions coined to the term face criticism regarding the scope of operation. On the other hand, another faction argues that SMEs are local and operate within the geographical boundaries of a country or jurisdiction. However, other factions have argued that SMEs should be defined with regard to size and suitability of the technological advancement involved in its processes. Yet another faction argues that SMEs should be defined based on the size of the factors of production the corporation utilizes in their day to day running. Currently, the World Bank has accrued a comprehensive conglomerate of all these ideas and coupled them into a comprehensive definition including the size, factor utility and geographical borders. The World Bank defines the term as an economic establishment with a lower employee to capital and output ratio. This means that for a business to be defined as SME, the number of employees in the established should be relatively lower as compared to what an international corporation would employ with regard to that particular quota (Yeung and Liu, 2008).

International entrepreneurship has made the role played by businesses take an international perspective and this makes SMEs very powerful in the world of business today. The Baltic region is rich with untapped resources due to the constant economic and political imbalances the region has experienced over the years. The region comprises of Estonia, Lithuania and Latvia. The vast alpine green forests and mineral rich water bodies and fields are huge investment opportunities for multinational corporations. However, the population in the Baltic is small with Estonia's population being 1,312,300 in 2015 (Alis Tammur, 2015). SMEs do not have popular local support in Estonia is a middle class economy that depends hugely on the income generated by the government more than what the private sector offers. However, since 2010 the region has experienced huge economic turnovers and rise in the GDP ratios due to the influx of SMEs in the economies. The Estonian SMEs are optimistic better future gains and more profitable margins being recorded. Estonia, economist have argued has a greater chance of absorbing the SME compared to the industry faster as compared to the two other regions that are reluctant to incorporate this system in their economies.

International entrepreneurship is responsible for SMEs being taken into account by nations and governments since they contribute to their GDPs immensely even though their activities are too many to full keep track on and holistically perform a reckoning. SMEs have now due to International entrepreneurship become part of analyses which were previously only meant for multinational corporations. This includes SMEs' risk-return report, social responsiveness (corporate social responsibility), resource allocations, corporate diversifications, and institutional ownership speak volume about the company's prospects and spawn reputation. International entrepreneurship has made SMEs become smaller multinational companies since their leadership roles and their mechanisms of activity through the process of internationalization is increasingly becoming effectively visible in the world. International entrepreneurship through the process on internationalization is a sign of SMEs unity and success and they are being among the top ranked growing business models globally. Only the best of the best get to join the MNCs spot and have brand names with some of the world's greatest and famous companies. However, with their exponential growth, they are being recognized alone and this can be attributed to the role played by international entrepreneurship (Yeung and Liu, 2008).

International entrepreneurship can be attributed to have risen due to internationalization and growth of companies rapidly due to the globalization effect. There is a trait of multinational corporations which is being emulated by small and medium sized enterprises which is taking the world as a small business market and trying to tackle the issues that will impede growth. For instance, multinational corporations are not only efficient in abiding to international rules and regulations, but also in influencing their change for the betterment of their aims and objectives through trade accords, trade pacts, trade alliances and trade regulations. This is the same strategic move that is being applied by small and medium sized enterprises such as QMESL Europe and it is seemingly working well in small and untapped markets.

International entrepreneurship has grown remarkably well due to the process of internationalization since now apart from small and medium sized enterprises searching for foreign markets, individuals will soon be following suit with the objectives of supplying and delivering goods, commodities and services beyond international borders which means that basically business will prevail and be more efficient. Entrepreneurs are now able to sell their products and goods in countries that are foreign which have been able to reach their highest point

of their life cycles which is their maturity stage in their respective domestic markets and this enables these entrepreneurs to earn profits after they sell their goods, commodities, products or services. The process of internationalization of SMEs such as QMSEL Europe is important as it teaches small and medium sized companies the importance of customer relation management which is a vital tool for progression. Additionally, going global for these SMEs is imperative as it nurtures these companies and firms on how to become sensitive to their customers which is a great and most important thing to do in the world of business (Yeung and Liu, 2008).

There are numerous benefits that accrue to SMEs such as QMSEL Europe due to the process and growth of international entrepreneurship. This includes the vast amounts of increased profits and sales due to Estonia being an untapped market for the selling of lighting products, together with the latest by products; paper cups and plates. There is also lower manufacturing costs in some of these foreign markets due to availability of cheap labor or reduced prices for manufacturing commodities. There is also new groups that form the employee's' departments of these SMEs which means that there is abundance of new talent and globalization of new and old customers. These are important factors which are spear-headed by the fact that SMEs are growing and becoming more present in countries that even multinational corporations have taken the forefront when it comes to matters pertaining to business.

International entrepreneurship has seen progress in trade and increment in internationalization to the point that a growth is expected from the SMEs in Estonia is largest one in Baltic Region. However, as much as Estonia bears the flag amongst the three regions in terms of encouraging SMEs in their markets, the government has no intention of pumping more of its labor market into the industry. It is up to private investors and philanthropist with assistance from multinational corporations and foreign investors. The industry will thus have to allow the intervention of foreign countries such China and the greater European Union to undertake the SMEs projects in the region. China is at the forefront promoting its SMEs and encouraging these businesses to open branches worldwide. This shows the steady and SME industry is growing in China.

1.6. Theoretical Conclusions

The author read (Johanson and Wahlne, 2009) and (Madsen and Servais, 1997), and came to the conclude opinion. The theoretical framework of this case study on filling the research gap created by lack of research on internationalization of SMEs has been fully analyzed through various internationalization theories. As earlier mentioned, they include the absolute cost advantage theory, comparative cost advantage theory, the Uppsala model, and the transaction cost theory and lastly the FDI theory. Through focusing on one case study of a Chinese SME called the Anhui QMESL Technology Company Limited which now internationalized and operates in Estonia as QMESL Europe, it can be asserted that the theoretical framework was best suited in explained this phenomenon and filling the research gap. As mentioned earlier in the literature review, the reason why QMESL Europe is a driving force in Estonia is because the SMEs is growing and needs a market that is easily controlled and more flexible in terms of expansion (Johanson and Vahlne, 1977 and Johanson and Vahlne 2009)

The theoretical framework covered this region as the case study of Anhui QMESL Technology Company Limited was best example of Chinese SMEs which have taken the world by storm with their successful internationalization and great international entrepreneurial spirit. The Baltic region offers such lucrative market chance as the region comprises countries such as Estonia, Lithuania and Latvia. It is important to note that this theoretical framework include the fact that the vast alpine green forests and mineral rich water bodies and fields are huge investment opportunities for multinational corporations which have also attracted SMEs into the Baltic region. Despite the overall population in the Baltic being small with Estonia's population being 1,312,300 in January 2015 (Alis Tammur, 2015), this is a lucrative business choice for small and medium-sized enterprises such as QMESL Europe. SMEs do not have popular local support in Estonia is a middle class economy that depends hugely on the income generated by the government more than what the private sector offers but this fact is slowly changing as SMEs offer products at even a cheaper price currently.

Summing up the aforementioned analysis, it is prudent to assert that ever since 2010, the Baltic region and more so Estonia as a country has experienced huge economic turnovers, economic growth and upheavals also occasionally risen in the GDP ratios due to the influx of

SMEs in the economies of all Baltic countries more so Estonia. The Estonian SMEs as European SMEs are also expanding into other foreign markets and they are all optimistic and aiming for better future gains and more profitable margins to be futuristically recorded. Estonia does not impede trade in any form even when their citizens are majorly the main customers which means that SMEs can spark widespread trade so long as they is limitation to the amount of money that claws back to China or the home country of any SME operating inside the country. This can be achieved through agreements of more investments in the country and partnerships with the Estonian government. Numerous economists have argued that in Estonia, there is a greater chance of absorbing the SME into the country from foreign countries as compared to the industry moving its SMEs outside the country since they have a lot to offer as clients and customers than less when it comes to small scale exports as a county generally. This is positively seen since under the theoretical framework utilized and the numerous internationalization theories that have been applied on the Chinese SME, it can be articulated that this is a faster process as compared to the two other Baltic regions that are reluctant to incorporate this system in their economies.

2. CASE ANALYSIS: QMESL EUROPE OU

2.1. Methodology

The qualitative research methodology entails to research procedures that utilize interview methods. This study using the case study of the QMESL Europe OU used secondary sources of data for the information relayed in the literature review (Cui and Jiang, 2010). And also contacted with CEO in the Skype interview. The qualitative research methodology will be easily applicable in showing how the various elements and internationalization theories have effectively assisted the QMESL Europe in entering a foreign market in the Baltic region (Estonia) and how it pans on maintaining and expanding its market share in the country. This is instrumental in showing how the Uppsala model and the born global concept were well applicable and workable in Estonia for the QMESL Europe Company (Daniels and Cannice, 2004).

Qualitative interview methods were carried out by me using in Mandarin Chinese and English, respectively. Skype has become an appropriate method of data collection for researching. Qualitative data analysis techniques were used in data analysis. The findings in the data analysis process are used in drawing conclusion on how medium enterprises and SMEs such as QMESL Europe in the manufacturing sector in Estonia have implemented internationalization in the Baltic country.

2.2. Research Approach

The research approach is qualitative methodology which used secondary data. Secondary data is attained from peer-reviewed journals, articles, books and also documented trade accords, trade alliances that are legally recognized among international scholars. These secondary sources

have been used in order to fill in the market gap which has been created by the research done on Multinational Corporations (MNCs) which leaves SMEs out of the picture mostly in research processes. Most importantly, the research approach is aimed at answering the research questions offered at the beginning of the paper. As earlier indicated, the research questions used in the research analysis aimed at establishing whether there is indeed the existence of SMEs in the Estonia and most specifically whether the presence of Anhui QMESL Technology Company began being felt in the country.

A case study was collected through Skype with QMESL Europe located in Estonia. To answer research question, the person who responsible for the establishment in Estonia was interviewed. The research questions were derived from factual matters revolving around the company used as the case study. For this research analysis, the research approach focused on QMESL Europe which is used as the main case study. As earlier stated, the corporation is an electro-acoustic corporation, which deals with the production of lighting bulbs. QMESL China was set up in 1994 and subsidiary (Estonia) was in 2015. . The research questions are:

1. What is the competitive advantages of doing business in Estonia?
2. Why QMESL China enter the Estonia market? And what kind of development form?
3. Using the relevant internationalization theory explain how the corporation has accrued economic support from its home government

2.3. Research Design and Strategy

The research strategy and design is comparison of information regarding the internationalization of small and medium sized enterprises taking a case study and particular interest in the Chinese SME which has entered the Estonia market as QMESL Europe Company is based on secondary data. The research design is utilization of secondary sources which will answer the question (mentioned above) by analysis of already existing materials. This includes peer-reviewed journals, articles, and also books.

The research design follows the purposes of this study, and this means that the formulated research questions and objectives are the main strategy of finding the rue role and effect of

internationalization of small and medium sized enterprises in Estonia and this strategy is guided by an evaluation process. The secondary sources which is part of the qualitative research methodology takes into account all previous researches on concepts, trends, and successes that relate to internationalization of the QMESL Europe Company in Estonia all through comparison of the information given in the literature review. Special focus was given to the QMESL Europe Company as a small and medium-sized enterprise that has succeeded in implementing an affiliate company in the Estonian market and this is as a result of internationalization. This design has followed the literature review which is the methodology on how the internationalization process was carried out. To achieve the research objectives, this research used a qualitative research approach. Semi structured interviews and observation method to collect data in the evaluation exercise.

The research design and research strategy are collectively going to use the information that shows the internationalization of the Chinese SME, the QMESL Europe. It is not possible to carry out interviews and surveys as most of the researched and required data concerning internationalization of small and medium enterprises have already been and the information is available in journals and business related articles as much as there are ample of published works and books filled with the same information. The design was therefore vested on qualitative research methodology which used secondary sources as a tool for the collection of the required data. Interestingly, theories of internationalization do not change when they are used in reference to multinational corporations and they all still apply to small and medium sized enterprises. This includes all internationalization theories which are classified as either trade theories or traditional theories. The one used in this case study for the research design and strategy include the absolute cost advantage theory, comparative cost advantage theory, the Uppsala model, and the transaction cost theory and lastly the foreign direct investment (FDI) theory.

2.4. QMESL Europe OÜ

QMESL Europe OÜ is a foreign subsidiary of QMESL China. QMESL China was established in 1994, which gathered design, development, manufacturing, marketing, import and

export as one unity. The company has its own professional packaging plant - Hefei Best-top Packaging Co., Ltd, which is one of China's largest manufacturers of electric light support package. The company is specializing in LED lights productions, environmental friendly paper cup productions and packaging material manufacturing. Invested by QMESL China, the headquarter of QMESL employs over 1000 employees with over 55 million euro annual turnover (Jobs, 2015).

2.5. Entry Mode

Various foreign entry modes can be applied in the firms internationalization process depend on complex of the entry mode that different advantages and different disadvantages of each mode (Johnson and Tellis, 2008). For instance, the exporting modes, contractual modes and investing modes

The headquarter of this company QMESL China was established in 1994 and has been exporting to over 20 foreign countries in the past two decades. The exporting modes most was applied. At initial stage of firms internationalization process, the headquarter of case company only contact indirect exporting modes even the fact of the entry of activity was controlled by the central government of China. To those firms who has self-administrated importing, exporting certification they allowed to export directly. Therefore, the case company's headquarter at very beginning only applied indirect exporting modes via domestic intermediaries meaning the trade companies. The fact is that one is the due to the governing control as mention about. Second is due to limited resources that the firm has to explore foreign market own its own. The third is the limited level of foreign market is experiential knowledge of foreign markets. Therefore the easiest and most reasonable of operation modes for the case company's headquarter was through indirect exporting. Through two decades development, the firm it is also by learning process for the case company's headquarter. Therefore after two decades, learning in exploring in foreign markets, the headquarter decided to enter European market with new mode which is green filed investment meaning the headquarter holy foreign only subsidiary in Estonia with hundred percent of ownership by Chinese investors. And this entry modes, has the highest financial risk but the

same time give the headquarter the highest level of control (Johnson and Tellis, 2008).

2.6. Internationalization Motivation

The internationalization motivation of the QMESL China in fact has three fort. The first is to shifting itself from labor intensive manufacture meaning competitiveness with price or production cost. Shifting itself to more innovation based but knowledge intensive meaning High-Tec manufacture. Second through internationalization firms are able to gain direct information outstanding of foreign market without go through the intermediaries such as trade companies. Third is to established a new brand for the headquarter and initial the case brand TULI is developed and designed.

Compare to the literature, there are various in motivation what firms internationalization. And in this case study, the 3 forts internationalization motivation are identified. In the short term, the holy foreign owner subsidiary in Estonia is function in a sales as market office with responsibility of developed the sales network for the company's products and contact market research in Europe. The second stage of the internationalization in Estonia is to create a brand new forms product line and brand in order to gain a new reputation in the LED lights production in history. And the third stage of firm's internationalization, the headquarter is going to invest manufacture in Estonia. Gaining the geographic advantage, low labor cost and also new level of production in terms quality and branding.

2.7. Market Selection

Based on the internationalization motivation, the firm take into the account the target country's geographic culture and economic distance with China. As well as take into account other factors such as labor cost, easy of business doing business, transpiercing government and in general basically host country contractiveness. And three market were identified Turkey, Poland

and Estonia. A network theory, as last Estonia is selected mainly based on the network as giving the factor of CEO of this subsidiary has the deepest knowledge about the market and also in deepest the knowledge about Chinese organization of culture. Therefore, the subsidiary was selected in Estonia. It also giving the factor of the host country Estonia has the rather limited size and therefor it is the idea test market for the testing new ideas and products. And also it gives company access to evolve.

2.8. Business Opportunities

In the Table 1. The author gives an overview about advantages of doing business in Estonia. There are four types of advantages: high quality human capital, competitive business environment, low red tape and Sustainable Financial Attractiveness.

Table1. Estonia's advantages

High Quality Human Capital	Competitive Business Environment
<ul style="list-style-type: none"> • Estonian workers benefit from a strong education, especially in core subjects such as math, languages and IT. • Additionally, as an established location with high quality investors, there is an existing pool of talent with relevant experience. • Benefit from service level quality, a process improvement mindset and new capabilities. 	<ul style="list-style-type: none"> • Estonia consistently ranks as one of the most open and competitive economies in the world. • Modern business infrastructure is supported by a commitment to competitiveness, the rule of law and low corruption. • Benefit from a stable, efficient environment which is enabled for international business.
Low Red Tape	Sustainable Financial Attractiveness
<ul style="list-style-type: none"> • Estonia's economy is characterized by no unionization and no government intervention • Business formation and licensing are simple and there is no complex regulation or accounting on an ongoing basis. • Benefit from operational flexibility in resourcing and the optimal use of management time 	<ul style="list-style-type: none"> • Estonia offers lower labor and infrastructure cost than Northern and Western Europe. • Estonia's financial attractiveness is supported by an investment grade credit rating, low Sovereign debt: GDP and balanced budgets. • Benefit from cost savings, cash flow efficiency and an attractive return on investment.

Source: (investinestonia, business opportuneness)

From the Table 1. One can see the advantage of business formation and licensing are simple could be attract many foreign companies enter to Estonia easily. From the author opinion, the most important is financial attractiveness because Estonia offer lower registration fee, lower taxes, lower debt and lower rental expense. Especially, the tax system is simple to understand with a flat income tax rate of 20% and tax-free reinvested corporate profit. Everything tax-related is managed through the fully automatic online.

2.9. Initial Development

Initial development of subsidiary in Estonia are mainly contacted through the process as the setting up the firm than recruiting the Estonia subsidiary human resources. Both Chinese and local human resources were higher to the company in order to contact daily activities. Now in Estonia side employee high the mainly towards the R&D activities, so LED marketing sales as they have best the local know how. The Chinese CED was higher in order to ensure communication between the headquarters and European subsidiary.

2.10. Long-run Development

In terms of long-run development, currently the company subsidiary here is final line the product line that is going to offer to the Baltic markets as well as European market was both B2B products and B2C products. The new brand is designed and new website is constructed and the companies is expecting the first shipments arrive in Estonia in order to supply the first clients. In the next stage, the regular subsidiary going to the rent the logistic and where how is in Estonia in order to the product. Those product as mainly to supply the small and medium size clients. And those clients required the flexibility and low a price of the product. In general, subsidiary is hoping to establish the manufacture here to produce assembling LED lights in Estonia in order to supply the European market. Now the subsidiary is able to developed rather competitive products with sold called European standard and Chinese prices. Therefore, in the long-run development,

the firms is hoping to create a new brand and within this brand are both targeting B2B and B2C products are supply the European market with emphasize Baltic and Scandinavia regions.

CONCLUSIONS

A case study was collected through Skype with QMESL Europe located in Estonia. To answer research question, the person who responsible for the establishment in Estonia was interviewed. Internationalization today is a strategy of all firms irrespective of size. Firms are no longer interested to stay at home even where there are good prospects in the home market. With the development of internationalization, many small and medium firms are grown as a result of scale advantage they derive from the expansion. Over the past few years, the internationalization process of enterprises in economics have expanded considerably. Internationalization process of the case company is longing to genal process continues learning activities. The headquarter studied business in China update the gaining the experience and networks in domestic market. The headquarter studied indirect exporting foreign market via intermediaries like trading company. Through two decades of indirect exporting and direct exporting, firm gain enough foreign market experiential knowledge in order to make the decision to enter the European market with more complexity modes. Such decision was made based on both pull and push factor. Push factor is that increasing level cost in China and increasing restrictions in environment of ensures in China and has caused the firm to think how to extend or how to transfer and shift activities to overseas market. Second push factor is that the mine sate of the founders of the company of the entrepreneur is rather global oriented innovation oriented. Therefore, the founder of the headquarter hoping to reposition or restrictions company in order to competitive global market places. The pull factor is host country attractiveness meaning that the host country in Estonia here within EU has low labor cost and quick access to EU market and also the size of market is the idea for testing a new products and business models. Based on the network theory, it is also shown in this case study that the decision making of market location choice of case company headquarter investment in Estonia is based on the network approach.

In general, the initial stage of the case company is working follow rather the only

internationalization pattern. This is giving the factor of the risk uncertainty in host country Estonia also the complication barriers and challenges between headquarter and the subsidiary. In the long-run, the firms of internationalization work continue in Europe with emphasize R&D branding and structure transformation which can be explain the internationalization literature as well as internationalization entry literature.

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