



CADERNOS DE DEREITO ACTUAL

www.cadernosdedereitoactuales

© **Cadernos de Direito Actual** Nº 29. Núm. Ordinário (2025), pp. 138-157

·ISSN 2340-860X - ·ISSNe 2386-5229

Corporate diversification of small and medium-sized enterprises (SMEs) and corporate management concerning China–Europe trade and investment integration

Shuyun Wang^{1,*}

Daugavpils University

Anatolijs Kriviņš²

Daugavpils University

Summary: 1. Introduction. 2. Background and rationale. 3. Aim and objectives. 3.1. Aim. 3.2. Objectives. 3.3. Problem statement. 4. Scope and significance. 5. Previous literature. 5.1. Corporate diversification in SMEs: Resource constraints and capability formation. 5.2. China–Europe trade dynamics and SME participation. 5.3. Corporate management and governance in SME internationalization. 6. Research gap. 7. Research method. 8. Results. 9. Thematic analysis and discussion. 9.1. Strategic diversification: Product, market, and operational moves to reduce tariff exposure. 9.2. Regulatory challenge: Chinese SMEs specifically face challenges in adapting to EU trade laws and technology certifications, demanding additional legal aid. 9.3. Institutional bridging: China–EU trade agreements can be facilitated to promote corporate diversification of SMEs by engaging with trade bodies and bilateral forums. 9.4. Financial education and financing access for SMEs. 9.5. Risk and resilience: Geopolitical disruptions and logistics vulnerabilities in the EU. 10. Conclusion and recommended framework. 11. Future scope and limitation. 12. References.

¹ PHD. Department of Management Science, Faculty of Humanities and Social Sciences, Daugavpils University, Latvia. E-mail: shuyun516@hotmail.com. (corresponding author).

² Dr. iur. asst prof. Department of Law, Management and Economics, Faculty of Humanities and Social Sciences, Daugavpils University, Latvia.

Abstract: The research purpose is to identify the role of China-EU trade and investment relations on corporate diversification and corporate management of SMEs. There is significant research done on this area, and it has been identified that presently geopolitical tensions, internal governance and team management are some of the hurdles faced by SMEs in engaging in corporate diversification. The research has engaged in an interview of 5 respondents who work in senior manager positions in different SMEs in China that have expanded into the EU. The findings illustrate the need for legal teams and regulatory compliance audits, along with an agile management and compliance monitoring dashboard for effective governance at par with the trade and investment agreements. A framework for achieving diversification has also been recommended.

Keywords: Corporate Diversification, China-EU Trade Agreement, Product Diversification, Geopolitical Tension, Trade Barriers.

1. Introduction

The evolving dynamics of China-EU trade and investment increasingly expose small and medium-sized enterprises (SMEs) to unfamiliar risks and opportunities. Heightened geopolitical tensions, regulatory realignments, and fast-moving market conditions intensify strategic uncertainty. This study examines how SME decision-makers design and adjust diversification strategies in this context, and how such strategies relate to corporate performance within China-EU economic integration. Therefore, this study examines: How do SMEs adjust their diversification and governance strategies when operating across the China-EU trade corridor under conditions of regulatory asymmetry and institutional distance?

2. Background and rationale

The economic relationship between China and Europe is one of the strongest bilateral relationships in the world. China is the second most important single partner of the EU in goods trade after the United States. The value of bilateral goods trade reached approximately EUR 732 billion in 2024. Yet growing geopolitical frictions and evolving regulatory regimes add layers of complexity to the relationship^{3,4}.

The amount of Chinese foreign direct investment (FDI) into the EU and the UK reached 10 billion euros in 2024 and increased by 47% from 2023, indicating a recovery after years of regression⁵. European business, in its turn, operating in China, is faced with increasingly growing challenges, such as the latest EU Business Confidence Survey of China 2024, which saw 75% respondents experiencing a shrinkage in profitability, with a market share loss reported by about 40% and over capacity being faced by about 50%⁶. At the policy level, the European Commission has identified SME internationalization as a strategic priority for strengthening regional

³ BABIC, M., GARCIA-BERNARDO, J., and HEEMSKERK, E. M. "Mapping corporate investments between China and Europe in an era of geoeconomic competition", *JCMS: Journal of Common Market Studies*, 62(6), 2024, p. 1421-1441. <https://doi.org/10.1111/jcms.13672>

⁴ GEHRKE, T. "EU open strategic autonomy and the trappings of geoeconomics", *European Foreign Affairs Review*, 27 (Special), 2022. <https://doi.org/10.54648/eerr2022012>

⁵ MERICS. *Chinese investment rebounds despite growing frictions-Chinese FDI in Europe: 2024 update*, 2024. Available at: <https://merics.org/en/report/chinese-investment-rebounds-despite-growing-frictions-chinese-fdi-europe-2024-update> (accessed on 15th January 2025).

⁶ ALICIA, G. "European investors in China are facing weak demand, more competition and tougher regulations", 2024. Available at: <https://www.bruegel.org/newsletter/european-investors-china-are-facing-weak-demand-more-competition-and-tougher-regulations> (accessed on 15th January 2025).

competitiveness; however, SMEs expanding beyond the EU frequently face regulatory, informational, and financing barriers that require structured support mechanisms⁷.

3. Aim and objectives

3.1. Aim

The proposed study will try to investigate how SMEs in the China–Europe trade and investment corridor develop and pursue diversification strategies in response to developing geopolitical and market factors. The proposed study will investigate how diversification strategies affect corporate performance.

3.2. Objectives

To understand the trends of diversification followed by European and Chinese SMEs involved in the bilateral trade and determine the main principles of strategic approaches as well as management procedures.

To assess the extent to which the structures and governance frameworks among the corporate management of corporations in China–EU trade corridors enhance their diversification efforts, focusing on the strategic decision-making process and organizational flexibility.

To evaluate the consequences of geopolitical and regulatory dynamics on the SME corporate diversification strategies by examining how management teams strive to go along with policy shifts and market uncertainties.

3.3. Problem statement

Although the increased economic value of investment and trade between China and Europe has garnered attention in recent years, there is still a need for a better understanding of SME diversification strategies in this context. Although many studies have considered diversification in large multinationals in the past, SMEs have a different context in which they operate. Their characteristics include less financial risk capacity and flexibility in governance structure. Essentially, this context directly influences their strategy to diversify. In addition to this, there are a number of aspects that are different in relation to market and technology regulations in China and Europe. Such factors as market compliance requirements and sustainability requirements are different. Hence, this directly enhances risk in SME diversification between China and Europe.

However, new challenges arising from geo-political turbulence, supply chain fragmentation, and tougher regulations have increased complexity for strategic decisions for SMEs acting in a global context. Although policies like BRI and other chambers-of-commerce-initiated dialogue sessions are designed to assist SME integration into markets through diversification, little is known regarding how SMEs are interpreting and implementing diversification in this new environment. In this context, a lack of information exists in past literature regarding how SME strategy-management teams are refocusing strategic priorities and organizational capabilities in response to legal and operational obstacles. Hence, this analysis is required to provide a keen empirical perspective on how diversification strategy development in China and Europe economic integration impact SME performance.

To achieve this goal, this study is informed by the following research questions:

Q1. How do SMEs address and react to uncertainties in the China and Europe trading and investing context in relation to politics and regulations?

⁷ EUROPEAN COMMISSION. *SME internationalisation beyond the EU*, 2024. Available at: https://single-market-economy.ec.europa.eu/smes/growing-and-scaling-sme/improving-sme-s-access-markets/sme-internationalisation-beyond-eu_en (accessed on 20th January 2025).

Q2: Which approaches and capabilities are used by SMEs in strategic diversification based on product, market, and operation diversification?

Q3: In how far can diversification strategies affect the corporate performance and position in Chinese-European economic integration of SMEs?

Therefore, the core research problem addressed in this study is how SMEs redesign and adjust diversification strategies when operating across the China-EU trade corridor under conditions of regulatory asymmetry, institutional distance, and resource constraints. Specifically, this study focuses on how managerial decision-making, governance structures, and capability-building processes shape SMEs' responses to compliance challenges and market adaptation pressures during cross-border diversification. By examining these dynamics, the study aims to clarify the mechanisms through which SMEs can effectively navigate institutional complexity and improve the feasibility of sustainable diversification.

4. Scope and significance

Specifically, the study targets SMEs that operate along the China-EU trade and investment corridors, the 2020-2025 time period, and the impact of recent geopolitical processes, changes in regulation, and economic recovery following the pandemic on the diversification strategies of companies. Geographically, the study covers the member states of the European Union and China, and specifically focuses on key trade-facilitating investment locations. This research is important due to its role in the interpretation of how the management teams in SMEs operate in complex international business environments via strategic diversification.

5. Previous literature

5.1. Corporate diversification in SMEs: Resource constraints and capability formation

Diversification within large corporations has long been considered within a large multi-national framework where diversification is facilitated through large outlays of capital and strategic governance. The context for SMEs is different and is placed within a financial and managerial capability perspective that is more restrictive. Current literature within a more contemporary Resource-Based View suggests that SMEs follow a related diversification strategy that builds upon substantive knowledge and established channels for markets^{8,9}. In a related but complementary fashion to this literature perspective is that Dynamic Capabilities pose that successful SME diversification relies upon reconfiguring their underlying operational capabilities and a quick response to changing market environments^{10,11}.

On this basis, it can be interpreted that whereas large corporations spread their wings to diverse sectors far away in regions different from their competitors, SMEs must have strategic agility to accomplish diversification. However, existing literature is mainly related to domestic diversification and has garnered less information about

⁸ CHEN, H., LUO, C., RENARD, M. F., and SUN, S. "EU-China trade and intra-EU trade: substitute or complementary?", *Journal of Economic Surveys*, 36(3), 2022, p. 558-585. <https://doi.org/10.1111/joes.12471>

⁹ SRIVASTAVA, P. and SRIVASTAVA, D. K. "Resource-based theory and SMEs internationalisation: evidence from Indian firms", *International Journal of Entrepreneurship and Small Business*, 37(3), 2019, p. 364-398. <https://doi.org/10.1504/IJESB.2019.101105>

¹⁰ TEECE, D. J. "Dynamic capabilities as a (workable) management systems theory", *Journal of Management & Organisation*, 24(3), 2018, p. 359-368. <https://doi.org/10.1017/jmo.2017.75>

¹¹ EIKELENBOOM, M. and DE JONG, G. "The impact of dynamic capabilities on the sustainability performance of SMEs", *Journal of Cleaner Production*, 235, 2019, p. 1360-1370. <https://doi.org/10.1016/j.jclepro.2019.07.013>

how SMEs rebuild capabilities when diversification occurs across different legal and institutional frameworks like China and the EU.

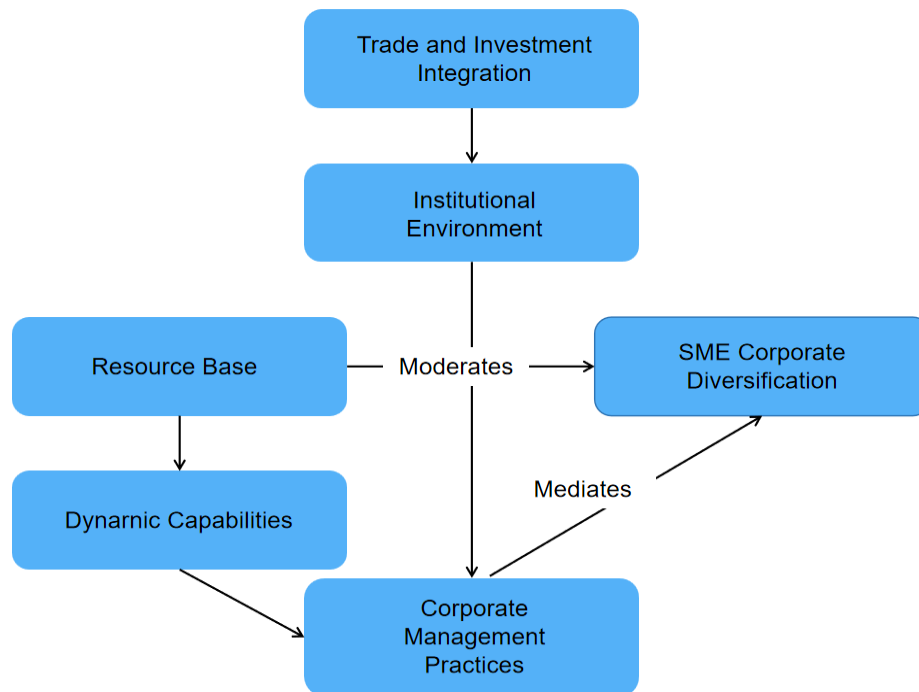


Figure 1. Theoretical Framework Linking Resources, Dynamic Capabilities, and Diversification. Source: Srivastava & Srivastava¹²; Du et al¹³.

This framework conceptualizes how SMEs leverage their resource base (financial resources, human competencies, and technological assets) to develop dynamic capabilities, including sensing market opportunities, seizing strategic initiatives, and reconfiguring structures to adapt to new conditions. These dynamic capabilities shape corporate diversification strategies across product, market, and operational dimensions. The effectiveness of these strategies is influenced by the institutional environment, particularly the regulatory and cultural distance between China and the EU, which acts as a contextual moderator affecting diversification outcomes.

The theoretical framework defined in Figure 1 explains the relation between corporate diversification and trade agreements. The image depicts the direct relation of the resource base of the companies to diversification. This is in context with the resource-based view theory of Barney, which explains the need for human and financial resources to leverage to gain corporate diversification¹⁴. Similarly, resource

¹² SRIVASTAVA, P. and SRIVASTAVA, D. K. "Resource-based theory and SMEs internationalisation: evidence from Indian firms", *International Journal of Entrepreneurship and Small Business*, 37(3), 2019, p. 364-398. <https://doi.org/10.1504/IJESB.2019.101105>

¹³ DU, J., PENG, S., SONG, W., and PENG, J. "Relationship between enterprise technological diversification and technology innovation performance: moderating role of internal resources and external environment dynamics", *Transformations in Business & Economics*, 19(2), 2020. Available at: https://www.researchgate.net/publication/355719777_Relationship_between_enterprise_technological_diversification_and_technology_innovation_performance_Moderating_role_of_internal_resources_and_external_environment_dynamics (accessed on 20th September 2025).

¹⁴ SRIVASTAVA, P. and SRIVASTAVA, D. K. "Resource-based theory and SMEs internationalisation: evidence from Indian firms", *International Journal of Entrepreneurship and Small Business*, 37(3), 2019, p. 364-398. <https://doi.org/10.1504/IJESB.2019.101105>

availability engages SMEs in dynamic capabilities, which in turn help in changing corporate management strategies as per the diversification needs. This is at par with the Theory of Dynamic Capabilities by Teece, which defines the fact that SMEs, in order to achieve successful diversification, need to adapt themselves to the changing trade environment and develop strategies as per the investment opportunities and scope^{15,16}. The framework also highlights that, along with the resource factor, the institutional environment plays a major role in moderating the corporate diversification strategy of SMEs. Change in trade laws and regulations or changes in the trade agreements between China and Europe directly affects the corporate diversification of the SMEs. Apart from these cultural differences and differences in leadership style between China and Europe, it also poses a challenge for the successful diversification of the SMEs¹⁷.

5.2. China–Europe trade dynamics and SME participation

China–EU trade has shifted from a largely complementary pattern to one marked by competition and heavier regulation. SMEs thus experience divergent outcomes from diversification: some leverage logistics and market niches; others struggle with adaptation and resource constraints¹⁸. European SMEs operating in China face distinct administrative processes and networked business norms, whereas Chinese SMEs entering the EU confront dense compliance regimes (CE, GDPR, REACH/dual-use controls, and sectoral ESG obligations). Recent evidence shows that institutional distance directly shapes diversification feasibility. Zeng finds that differences in certification systems, data-governance rules, and sectoral compliance norms require SMEs to move beyond standard entry playbooks and adopt explicit institutional-adaptation strategies¹⁹. Firms that fail to balance compliance costs, market embeddedness, and knowledge transfer face elevated operational risks and lower diversification success.

Nevertheless, according to a study conducted by Huang & Zhang in 2022, one of the challenges that have come to affect SMEs in cross-border diversification is complying with regulations²⁰. The article states that SMEs in both regions experience costs and delays in connection with the complexity involved in crossing borders for different regulations. Xu & Li in 2023 supplemented this point by stating that SMEs

¹⁵ EIKELENBOOM, M. and DE JONG, G. "The impact of dynamic capabilities on the sustainability performance of SMEs", *Journal of Cleaner Production*, 235, 2019, p. 1360-1370. <https://doi.org/10.1016/j.jclepro.2019.07.013>

¹⁶ TEECE, D. J. "Dynamic capabilities as a (workable) management systems theory", *Journal of Management & Organisation*, 24(3), 2018, p. 359-368. <https://doi.org/10.1017/jmo.2017.75>

¹⁷ DU, J., PENG, S., SONG, W., and PENG, J. "Relationship between enterprise technological diversification and technology innovation performance: moderating role of internal resources and external environment dynamics", *Transformations in Business & Economics*, 19(2), 2020. Available at:

https://www.researchgate.net/publication/355719777_Relationship_between_enterprise_technological_diversification_and_technology_innovation_performance_Moderating_role_of_internal_resources_and_external_environment_dynamics (accessed on 20th September 2025).

¹⁸ LEPPÄÄHO, T. and PAJUNEN, K., 2018. Institutional distance and international networking. *Entrepreneurship & Regional Development*, 30(5–6), pp. 502–529. DOI: <https://doi.org/10.1080/08985626.2017.1407365> (accessed on 21th September 2025)

¹⁹ Zhang Y, Cheng C (2025), "Performance relative to aspiration and SMEs' internationalization speed: the moderating effects of policy knowledge and institutional distance". *International Journal of Emerging Markets*, Vol. 20 No. 4 pp. 1641–1665, doi: <https://doi.org/10.1108/IJOEM-07-2022-1090> (accessed on 21th September 2025).

²⁰ RAHMAN, M., AKTER, M. & RADICIC, D., Internationalization as a strategy for small and medium-sized enterprises and the impact of regulatory environment: An emerging country perspective, *Business Strategy & Development*, 3(2) (2020), pp. 213–225. DOI: <https://doi.org/10.1002/bsd2.90> (accessed on 21th September 2025).

with superior financial literacy and knowledge of cross-border legal frameworks are more successful²¹. Babic, Garcia-Bernardo, and Heemskerk (2024) highlight the role of government support, technological upgrading, and strategic partnerships in facilitating Chinese SME internationalization²². However, these factors do not eliminate the structural uncertainties posed by institutional asymmetries in both regions. As SMEs increasingly move into markets with different regulatory systems, fostering cross-border partnerships and leveraging local knowledge becomes critical for mitigating regulatory risk and enhancing adaptability.

Future research could explore how SMEs in both regions can leverage these partnerships and resources, and how policies like cross-border credit guarantees and export credit subsidies can aid in reducing compliance costs and facilitating smoother market entry.

5.3. Corporate management and governance in SME internationalization

The level of corporate governance and managerial capabilities has a substantial impact on SMEs' success in the process of globalization. As mentioned in Industry newsletter (2024), in SMEs, a managerial structure is established that is centralized and relies heavily on informal coordination and leadership decisions made by its founders. Therefore, SME management might not have a deep understanding of globalization in different nations.

Moreover, there are differences in governance structure between SMEs and large companies. The latter include complex review systems and specialized strategic review boards. However, SMEs need to develop adaptive capabilities for governance in a learning process that occurs in the context of internationalization itself.

Current studies have also emphasized the important role of governance capability in determining SMEs' actual performances in cross-border diversification. Liu & Takahashi (2024) suggested that SMEs' ability to deal with institutional uncertainties in cross-border diversification can be enhanced if they adopt more robust internal governance procedures²³. The study suggested that while SMEs' managerial cognition and governance discipline can have a positive impact as supplementary elements in diversification performances under institutional complexities, they are more pivotal as long-term catalysts for diversification success.

The model illustrates that diversification decisions are driven by external pressures such as trade integration dynamics, competition intensity, and market expansion incentives. Internal firm-level factors—including resource availability and adaptive capabilities—moderate how these drivers translate into strategic outcomes. Governance routines and managerial decision-making processes function as mediating mechanisms that determine the alignment between firm strategies and regulatory requirements, leading to diversification outcomes in product scope, market penetration, and operational configuration.

Figure 2 defines the conceptual framework for the research. The framework illustrates that there are different drivers which affect the corporate diversification of

²¹ GRAÑA-ÁLVAREZ, R., LOPEZ-VALEIRAS, E., GONZÁLEZ-LOUREIRO, M. & CORONADO, F. Financial literacy in SMEs: A systematic literature review and a framework for further inquiry. *Journal of Small Business Management*, 2024, 62(1), pp. 331–380. DOI: <https://doi.org/10.1080/00472778.2022.2051176> (accessed on 21th September 2025).

²² SU, F., KHAN, Z., LEW, Y.K., PARK, B.I. & CHOKSY, U.S. Internationalization of Chinese SMEs: The role of networks and global value chains. *Business Research Quarterly*, 2020, 23(2), pp. 141–158. DOI: <https://doi.org/10.1177/2340944420916339> (accessed on 21th September 2025).

²³ WEN, K., ALESSA, N., MARAH, K., KYEREMEH, K., ANSAH, E. S. & TAWIAH, V. The Impact of Corporate Governance and International Orientation on Firm Performance in SMEs: Evidence from a Developing Country. *Sustainability*, 2023, 15(6), 5576. DOI: <https://doi.org/10.3390/su15065576> (accessed on 21th September 2025).

SMEs, especially those operating in the trade channel between China and the EU. The trade and investment policies and the resource availability moderate the diversification strategy, while the corporate management practices and their differences in terms of management and leadership styles, and the EU and China mediate the diversification strategy²⁴.

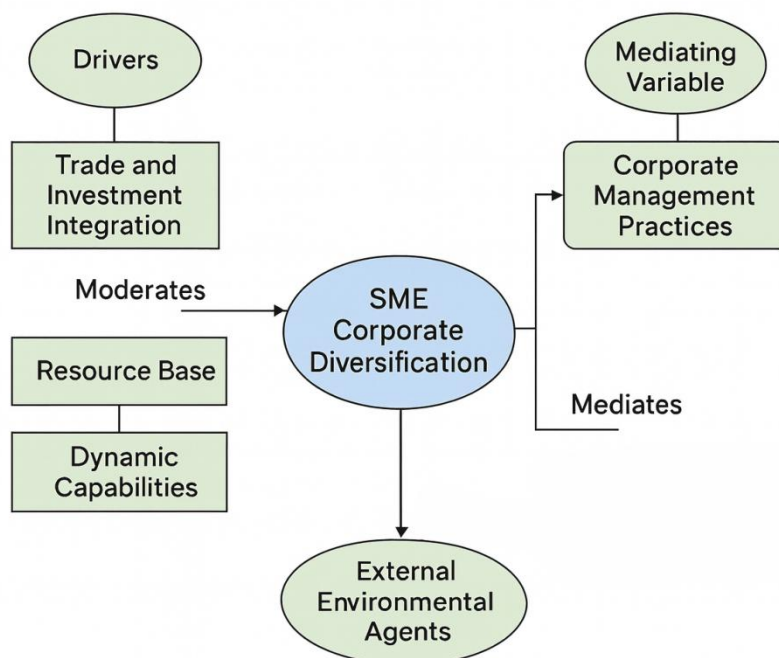


Figure 2. Conceptual Model of SME Diversification Under Institutional Asymmetry. Source: Influenced by Pan, Fu & Li²⁵; Bai et al.²⁶.

6. Research gap

The majority of the previous research papers do not provide much insight into the corporate diversification of SMEs. The different constraints faced by SMEs during corporate diversification have not been documented or even analyzed by previous research papers. None of the research papers has provided a proper framework which can be implemented to gain an understanding of the strategies that SMEs can use for gaining corporate diversification. There is research on trade agreements between China and other south east Asian countries as well as European countries, but none of them clearly mentions the impact these trade agreements have on the diversification strategies of SME's. There is limited research exploring the managerial implications in the case of such diversifications and the way the corporate governance and leadership create issues in the diversification. The present research papers provide static information and lack in-depth details on collaborative approaches that SMEs in China

²⁴ BAI, W., HILMERSSON, M., JOHANSON, M., and OLIVEIRA, L. "SMEs' regional diversification: dynamic patterns and home market institutional determinants", *International Marketing Review*, 41(2), 2024, p. 358-385. <https://doi.org/10.1108/IMR-12-2021-0364>

²⁵ PAN, L., FU, X., and LI, Y. "SME participation in cross-border e-commerce as an entry mode to foreign markets: a driver of innovation or not?", *Electronic Commerce Research*, 23(4), 2023, p. 2327-2356. <https://doi.org/10.1007/s10660-022-09539-7>

²⁶ BAI, W., HILMERSSON, M., JOHANSON, M., and OLIVEIRA, L. "SMEs' regional diversification: dynamic patterns and home market institutional determinants", *International Marketing Review*, 41(2), 2024, p. 358-385. <https://doi.org/10.1108/IMR-12-2021-0364>

can use for corporate diversification. Additionally, there is limited information regarding the role of trade agreements between China and Europe in relation to specific sectors, which are favourable for corporate diversification of SME's.

7. Research method

This study adopted a qualitative design using semi-structured online interviews with five senior managers from SMEs engaged in the China–EU trade and investment corridor. Participants from Chinese and European organizations in manufacturing, IoT/technology, consulting, and consumer electronics were selected purposively. Each interview lasted approximately 60 minutes and explored diversification patterns, managerial and governance systems, and board-level decision processes. To enhance representativeness, we sampled across regions (Jiangsu, Shenzhen, Suzhou, and Shanghai) and sectors that face distinct cross-border compliance challenges. Inclusion criteria required SMEs with ≤ 300 employees and active China–EU cross-border activity in the past three years; interviewees held decision authority on market/operations. Data were transcribed and analysed inductively in NVivo 15 to develop codes and themes. The study-maintained confidentiality and complied with ethical guidelines²⁷.

Ethical considerations: This minimal-risk interview study followed institutional ethical standards. Participants provided written informed consent prior to interviews; identities were anonymized. Audio and transcripts were stored in encrypted form accessible only to the research team.

Legal and Institutional Basis: This research is grounded in the regulatory frameworks that directly govern SME cross-border operations. On the EU side, relevant instruments include CE Marking (Regulation (EC) No. 765/2008), GDPR (Regulation (EU) 2016/679), REACH Regulation (EC) No. 1907/2006, and sectoral ESG disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD). On the Chinese side, outward investment and cross-border operations are guided by MOFCOM Administrative Measures for Overseas Investment (2022 Revision), State Council SME Promotion Law (2021), and the Belt and Road international cooperation framework. These legal instruments shape compliance expectations and institutional constraints, thereby influencing SMEs' strategic diversification decisions.

8. Results

This section presents the findings of a qualitative analysis based on interviews with Chinese SME leaders engaged in the China–EU Trade and Investment Corridor. Utilizing NVivo's coding and clustering functionalities, the analysis identified recurrent themes that elucidate firms' diversification strategies, compliance behaviors, and management practices in navigating cross-border operations.

Table 1 provides a summary of the inductive coding results generated using NVivo 15. As illustrated, the most frequently referenced themes were business diversification, regulatory compliance, and digital transformation—all of which were discussed by every participant. These categories underscore the foundational role of diversification strategies, compliance mechanisms, and digital capabilities in enabling SME internationalization. Themes with moderate frequency, such as institutional engagement, risk management, human resource management, and cultural adaptation, reflect the managerial and contextual challenges that shape strategic decision-making within internationalizing firms.

²⁷ HAZARI, A. "Introduction to research methodology", in *Research Methodology for Allied Health Professionals: A Comprehensive Guide to Thesis & Dissertation*, Springer Nature Singapore, Singapore, 2024, p. 1-6. https://doi.org/10.1007/978-981-99-8925-6_1

Table 1. Nvivo inductive Coding table (Source: Nvivo version 15).

Code node	Description	Sources referenced	Frequency
Corporate diversification	Product, market, and operational diversification strategies	All participants	High
Regulatory compliance	CE marking, GDPR, REACH, MDR, dual-use tech, ESG standards	All participants	High
Belt and road initiative (BRI)	Impact on logistics, market access, and strategic expansion	All participants	Moderate
EU–China institutional engagement	Chambers of commerce, SME forums, and bilateral treaties	All participants	Moderate
Talent & Cultural adaptation	Bilingual hiring, cross-cultural training, and mindset shifts	All participants	High
Risk management & Scenario planning	Cybersecurity, geopolitical tensions, predictive analytics	Participant 1, 2, 3, 4	Moderate
IP strategy	Licensing models, joint IP ownership, patent disclosures	Participant 1, 2, 3	Moderate
Logistics & Trade corridors	Rail freight, customs delays, multimodal transport	Participant 1, 2, 4, 5	High
Institutional support & Gaps	Export credits, SME funding, certification bottlenecks	Participant 1, 2	Moderate
ESG & Sustainability	Circular economy, green tech, carbon footprint compliance	All participants	Moderate
Digital transformation	Agile management, AI integration, digital platforms	Participant 2, 3, 4, 5	High
Strategic partnerships	Joint R&D labs, co-innovation with European universities	Participant 1, 2, 3, 4	Moderate

Based on these thematic intersections, Table 2 presents a higher-level synthesis analysis, mapping coding categories to broader conceptual clusters. As shown in Table 2, six core themes emerge: strategic diversification, regulatory complexity, institutional coordination, cultural and talent adaptation, risk and resilience, and sustainability and ESG integration. This synthesis indicates that SMEs are striving to meet EU certification standards while pursuing new opportunities in market and technological domains. Participants consistently emphasized that successful diversification strategies require both a commitment to compliance and operational flexibility.

The study employed a qualitative methodological approach consisting of purposive sampling of SMEs engaged in China–EU trade, semi-structured interviews with senior managers, transcription and coding of interview data, thematic analysis using NVivo, identification of cross-case patterns, and synthesis into a consolidated conceptual framework. Ethical considerations included informed consent, anonymization of respondent identities, and secure storage of data.

NVivo cluster analysis provides deeper insights into the interrelationships among these themes. Figure 3 visualizes the hierarchical structure of coded nodes, revealing strong connections between business management approaches, business integration, and diversification-related investment strategies. As shown, compliance and institutional engagement serve as core nodes within this thematic cluster, mediating between strategic intent and practical implementation. Connection density further indicates that SMEs perceive diversification as an ongoing, dynamic process of capability adaptation and renewal rather than a one-time market entry action.

Table 2. Theme table (Source: Compiled by authors based on qualitative interview data (2024) and NVivo 15 thematic coding.).

Theme name	Description	Associated nodes	Sample quotes / paraphrased insights
Strategic diversification	Expansion across products, markets, and operations to mitigate geopolitical risks and meet evolving customer demands.	Product Diversification, Market Expansion, Operational Localization	"We diversified into AI-integrated modules and set up assembly units in Hungary to reduce tariff exposure."
Regulatory complexity	Challenges in navigating EU standards, dual-use technology restrictions, and certification processes.	CE Marking, GDPR, Dual Certification, Compliance	"Navigating EU customs, VAT, and dual-use technology restrictions required external legal support."
Institutional bridging	Engagement with trade bodies, chambers of commerce, and bilateral forums to influence policy and gain support.	EU Chamber, SME Forums, Trade Bureaus	"We regularly provide feedback on customs digitization and SME financing."
Cultural & Talent adaptation	Efforts to overcome cultural, linguistic, and talent barriers in cross-border operations.	Cross-cultural Training, Bilingual Talent, Local Managers	"We invest in bilingual talent and cultural training for staff working with European clients."
Risk & Resilience	Strategies to manage geopolitical disruptions, IP protection, and supply chain volatility.	Scenario Planning, IP Strategy, Dual Logistics	"We use dual logistics channels—rail and sea—to hedge risks."
Sustainability & ESG alignment	Alignment with EU sustainability standards and ESG reporting requirements.	ESG Reporting, Green Compliance, Circular Economy	"We created a compliance and ethics committee to oversee ESG reporting."
Digital & Operational transformation	Adoption of digital tools, agile management, and decentralized governance to support international operations.	Agile Management, Digital Platforms, Matrix Structure	"We adopted agile management and cross-functional teams to handle product localization and compliance."

Three overarching themes emerged:

(1) Strategic Diversification: SMEs adopt product adaptation, niche market targeting, and localized operational strategies.

(2) Regulatory Navigation: Firms engage in certification compliance, legal advisory partnerships, and ESG-related adaptation.

(3) Governance and Capability Formation: Agile team development, financial planning competence, and digital operational flexibility support organizational learning and adaptation.

Finally, insights derived from coded data provide the basis for constructing a strategic framework for diversification among small and medium-sized enterprises. Based on empirical research findings, we developed a conceptual model that organically integrates product diversification, market diversification, and operational diversification with regulatory coordination and risk management. As shown in Figure 4, this framework links trade and investment integration with corporate governance, dynamic capabilities, and environmental adaptability. The model emphasizes that effective diversification strategies must balance internal resource coordination with external institutional requirements while maintaining the flexibility needed to navigate evolving geopolitical and regulatory landscapes.

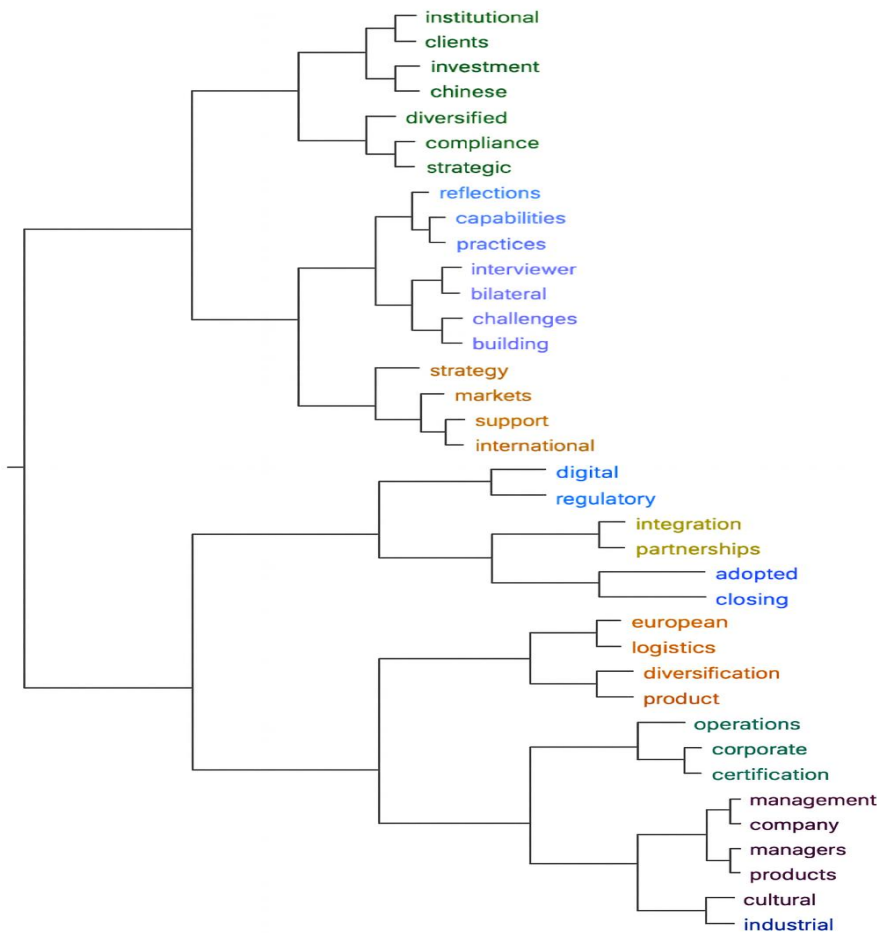


Figure 3. Research Method Flow, NVivo Cluster Analysis of Coded Nodes. Source: NVivo 15.

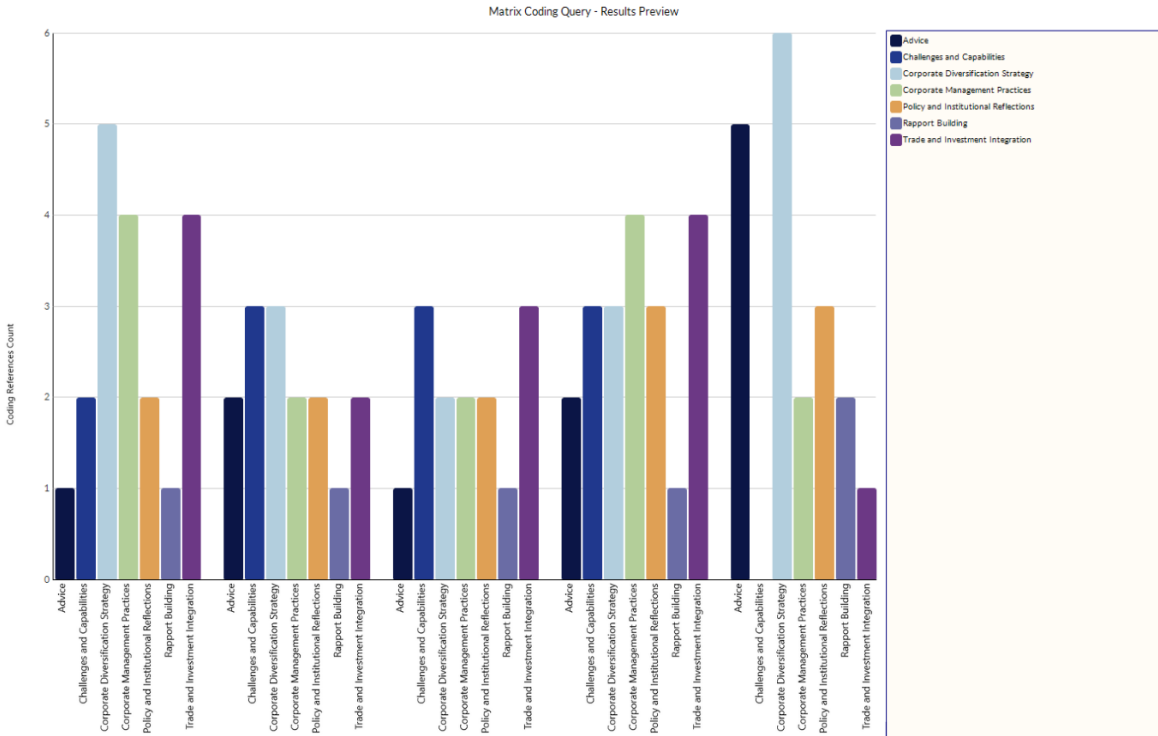


Figure 4. NVivo code visualization and matrix coding analysis. Source: NVivo 15.

9. Thematic analysis and discussion

9.1. Strategic diversification: Product, market, and operational moves to reduce tariff exposure

As per the interview conducted, it can be seen that most of the respondents feel that EU-China trade agreements can be made effective for corporate diversification of the SMEs, provided there are proper product diversification, followed by market expansion and operational localization, which in turn can help in reducing operational tariffs. From the responses received, it has been found that some Chinese SMEs which have expanded into Hungary have adopted AI-based modules to achieve product diversification and market expansion to gain successful diversification into the EU. These findings are similar to the ones cited in the research by Raes (2021) and Thelisson & Jacquemot (2025) that reducing reliance on a single type of product and diversifying the product or service range can help SMEs target niche sectors in the EU, along with emerging EU economies^{28,29}. Local partnerships can help in improving local distribution, which can reduce logistics costs. Tariq (2025) added that Chinese companies like BYD and CATL have all shifted some parts of their operation to the EU, leading to breakthrough achievements in their diversification strategy³⁰. SMEs also need to adapt this strategy and gain operational localization to improve corporate diversification. There will be a reduction in tariffs in case of operational localization because the local hiring and using EU-based logistics will reduce cross-border customs tariffs, leading to an easier diversification process. As per the coding table, it can be seen that all of the respondents emphasized this strategy regarding gaining a successful corporate diversification, especially for Chinese SMEs to be successful in the EU.

9.2. Regulatory challenge: Chinese SMEs specifically face challenges in adapting to EU trade laws and technology certifications, demanding additional legal aid

As per the opinion of the respondents, it is quite difficult to operate in the EU owing to several restrictions and certifications as well as standards, which are difficult for SMEs to keep up with, owing to their limited funding availability and smaller operational set-up and resource constraints. But all of the participants named some of the common regulations that are mandatory to be complied with to leverage the EU-China trade agreements for corporate diversification. Standards such as the CE marking, GDPR, REACH restriction on dual usage of technology, and ESG standards need to be complied with by all SMEs to operate in the EU. One of the respondents revealed that for SMEs to overcome all the regulatory compliance, it is quite time-consuming and needs external legal support. Similar findings have been cited by Master's thesis (2025), mentioning that the EU frequently updates its trade laws and trade agreements, causing demand for frequent upgradation of company strategies and policies, making it challenging for SMEs to operate³¹. Additionally, although China

²⁸ RAES, S. "Understanding SME heterogeneity: towards policy-relevant typologies for SMEs and entrepreneurship: an OECD strategy for SMEs and entrepreneurship", 2021. Available at: <https://dx.doi.org/10.1787/c7074049-en> (accessed on 8th February 2025).

²⁹ THELISSON, A. S. and JACQUEMOT, F. "International expansion of French SMEs as a growth lever-insights from a case study", *Strategy & Leadership*, 53(3), 2025, p. 274-298. <https://doi.org/10.1108/SL-09-2024-0092>

³⁰ TARIQ, M. U. "Innovative strategies for enhancing SME competitiveness in emerging economies", in *Models, Strategies, and Tools for Competitive SMEs*, IGI Global, 2025, p. 151-172.

³¹ CHOWDHURY, M. A. A. "The impact of trade agreements on international business expansion, trade and investment in the European Union", 2025. Available at:

is in a trade agreement with the EU, the trade laws in the EU differ between the member nations, and the administrative process is not transparent, creating further barriers for corporate diversification. The trade agreement does not offer any ease in case of regulatory compliance in the EU for Chinese SMEs. Even the custom system is not uniform across borders, creating logistics hurdles. Irbe (2024) mentioned that there is a need for legal aid by SMEs for navigating the regulatory challenges of operating in the EU. In this context, one of the respondents suggested that alignment of company strategies and policies with those of EU sustainability standards and the ESG reporting can be an effective way of achieving corporate diversification by Chinese SMEs in the EU³². The ESG reporting and compliance with sustainability standards and adherence to certifications can be achieved by the creation of an Ethics and corporate governance audit committee, which will be liable to ensure compliance with regulatory standards. The research by Adekunle et al. (2023) in this regard also suggested the usage of digital compliance platforms for getting real-time updates on changes in policies and laws, and digital tracking of the compliance process³³. Kele & Cassell (2023) added that the legal representative of the SMEs involved in corporate diversification needs to be local so that the company can have a local representation to make appeals³⁴. Partnering can also be done with local companies to achieve GDPR compliance.

9.3. Institutional bridging: China–EU trade agreements can be facilitated to promote corporate diversification of SMEs by engaging with trade bodies and bilateral forums

The research findings from the interview have highlighted the fact that the Belt and Road Initiative involving the China-EU bilateral trade agreements have opened up opportunities for logistics and enabled access to remote markets for diversification of SMEs³⁵. All of the participants more or less agreed to the fact that SME forums and bilateral treaties are needed to bridge institutional gaps in the China-EU trade agreements to enhance corporate diversification.

SMEs need to engage in cultural, linguistic, and talent acquisition processes for staff for better corporate diversification. This is needed because one of the respondents mentioned that regular feedback enables improvement in the custom digitization process and acquiring funding for diversification. In this regard, the participants claimed that SMEs can adopt digital tools and apply agile management within the teams to gain decentralized governance. This is to improve engagement with trade bodies, including bilateral clauses and policies in the company's diversification process. One of the respondents claimed that the adoption of agile team management and cross-functional teams enables engagement with trade bodies and SME forums as well as compliance with treaty clauses. One of the respondents claimed that the adoption of agile team management and cross-functional teams enables engagement with trade bodies and SME forums as well as compliance with

https://lutpub.lut.fi/bitstream/handle/10024/169669/Mastersthesis_Chowdhury_Md_Adnan_Andalib.pdf (accessed on 20th February 2025).

³² IRBE, I. "European Union regulatory complexity: challenges and solutions for entrepreneurs", 2024.

³³ ADEKUNLE, B. I., CHUKWUMA-EKE, E. C., BALOGUN, E. D., and OGUNSOLA, K. O. "Developing a digital operations dashboard for real-time financial compliance monitoring in multinational corporations", *International Journal of Scientific Research in Computer Science, Engineering and Information Technology*, 9(3), 2023, p. 728-746.

³⁴ KELE, J. E. and CASSELL, C. M. "The face of the firm: the impact of employer branding on diversity", *British Journal of Management*, 34(2), 2023, p. 692-708.

³⁵ EU SME CENTRE. *SME policy environment report: 2024 update*, 2025. Available at: <https://www.eusmecentre.org.cn/publications/sme-policy-environment-report-2024-update/> (accessed on 20th February 2025).

treaty clauses. This aligns with evidence that agile transformation improves organizational adaptability and strengthens responsiveness to external institutional requirements³⁶. This is in relation to the research done by Thirawat (2022), which stated that the EU-China business summit emphasised the digitization of the customs process and applying trade uniformity and harmony for ease of SME operation³⁷. The SME forums and the internal management of the employees in this regard will help in shaping the trade agreements in favour of corporate diversification and gain subsidies in innovation, as well as in obtaining IP protection on innovative products. Akang (2023) claimed that SMEs need to maintain a strong connection with the forums and the trade bodies to stay updated about the changes in the regulatory policies, which is also in accordance with the research results³⁸.

9.4. Financial education and financing access for SMEs

The interview findings also brought out that financial capabilities are critical determinants of SME diversification in the context of trading between China and Europe. Several interviewees observed that even though a product and operational localization strategy can lower customs and logistics costs, a not-insignificant financial outlay is required in setting up subsidiaries in Europe and adhering to a compliance structure and recruiting bilingual and/or localized management. Lack of access to less expensive financial avenues limits diversification.

Current literature has also made evident that SMEs have not had a financial education and financial planning system in place to help in making decisions for entering into cross-border undertakings. As supported by Huang and Zhang (2022), SMEs have a reliance on relationship-based financing and investment channels that are not always adequate for making cross-border strategic commitments³⁹. On a different note, Xu and Li (2023) have demonstrated that SMEs have a greater chance to pursue market diversification in a more profitable market when they have stronger financial literacy and in-house accounting capability⁴⁰. There is evidence to support that current concerns about financial training are vindicated.

The availability of traditional financing is still uneven. European SMEs' foray into China relies on EIB-supported SME guarantee schemes, while Chinese SMEs in the EU mainly rely on either commercial loans in their home country or re-invested operational earnings. The study mentions that according to Pan & Gu (2021), companies that enjoy export credit guarantees and cross-border public financial

³⁶ FRANCZAK, J. and WEINZIMMER, L., How SMEs leverage adaptability, risk-taking and action into positive performance — a moderated mediation model. *Journal of Small Business Strategy*, 2022, 32(4), pp. 16–29. DOI: <https://doi.org/10.53703/001c.40318> (accessed on 21st September 2025).

³⁷ THIRAWAT, J. "E-Commerce in ASEAN: an emerging economic superpower and the case for harmonising consumer protection laws", *South Carolina Journal of International Law and Business*, 18(2), 2022, p. 6. Available at: <https://scholarcommons.sc.edu/scjilb/vol18/iss2/6> (accessed on 25th March 2025).

³⁸ AKANG, A. U. "Regulatory compliance and access to finance: implications for business growth in developing economies", *Scientia Journal of Education, Humanities and Social Sciences*, 1(2), 2023, p. 8-23.

³⁹ RAHMAN, M., AKTER, M. & RADICIC, D., Internationalization as a strategy for small and medium-sized enterprises and the impact of regulatory environment: An emerging country perspective, *Business Strategy & Development*, 3(2) (2020), pp. 213–225. DOI: <https://doi.org/10.1002/bsd2.90> (accessed on 21st September 2025).

⁴⁰ GRAÑA-ÁLVAREZ, R., LOPEZ-VALEIRAS, E., GONZÁLEZ-LOUREIRO, M. & CORONADO, F. Financial literacy in SMEs: A systematic literature review and a framework for further inquiry. *Journal of Small Business Management*, 2024, 62(1), pp. 331–380. DOI: <https://doi.org/10.1080/00472778.2022.2051176> (accessed on 21st September 2025).

programs have a much greater rate of survival in their globalization process⁴¹. The same sources imply that few of the interviewees knew much about and had made use of this facility.

On the basis of this information, financial literacy and capability development can and must be incorporated in the governance structure of organizations and more specifically in SMEs that engage in multi-market diversification. Financial forecast techniques and financial knowledge in cross-border regulations (state aid regulations within European unions) can assist SMEs in making much more informed decisions regarding diversification. Moreover, cooperation with development institutions and cross-border SME financial platforms can provide SMEs with more stable sources of capital. Financial literacy and development is a vital enabler in making SME diversification in the China-EU corridor sustainable.

Compared with large multinational corporations that possess more established governance systems and financial buffers, SMEs must make diversification decisions under significantly tighter resource constraints and with less capacity to absorb compliance-related risks. This structural difference explains why similar regulatory barriers have a disproportionately greater impact on SMEs.

9.5. Risk and resilience: Geopolitical disruptions and logistics vulnerabilities in the EU

The interview respondents have mentioned that geopolitical tensions and supply chain volatility are two of the major risks in the case of corporate diversification in the EU. In response to this, one of the respondents reported that some companies use a dual logistics channel to address the blocking of one logistics channel. Air and sea are two of the most commonly used logistics channels for Chinese SMEs operating in the EU. Some of the respondents also pointed out the issue of IP ownership, owing to which it has been suggested by the respondents themselves that licensing of products and joint IP ownership are some of the safest strategies to achieve corporate diversification in the EU. Geopolitical tensions are prevailing in EU member nations, which calls for the usage of multimodal modes of logistics, which also includes the usage of railway freight to avoid any supply chain disruptions. Similar to this, Donnelly (2023) pointed out that there are changes in trade policies post-Brexit, which have put the Schengen zone in an unstable position, which may affect corporate diversification⁴². The EU restrictions in the case of trade for some countries can affect the corporate diversification strategy as well. Additionally, it stated that the EU has delayed inspection protocols at the border, which increases operational costs. Additionally, China-EU railway freight operations remain suspended due to geopolitical tension, creating a delay in the delivery of freight. Further not all of the EU technologies can be accessed by foreign SMEs, leading to delays due to compliance issues. All these problems make it risky for corporate diversification amidst the trade agreement between China and the EU⁴³.

10. Conclusion and recommended framework

This study finds that despite China–EU trade agreements under the Belt and Road framework, SMEs continue to face substantial constraints when pursuing corporate

⁴¹ HEILAND, I. and YALCIN, E., Export market risk and the role of state credit guarantees. *International Economics and Economic Policy*, 2021, 18(1), pp. 25–72. DOI: <https://doi.org/10.1007/s10368-020-00466-2> (accessed on 21th September 2025).

⁴² DONNELLY, S. "Brexit, EU financial markets and differentiated integration", *European Papers-A Journal on Law and Integration*, 2022(3), 2023, p. 1265-1285. DOI:<https://doi.org/10.15166/2499-8249/610> (accessed on 21th September 2025).

⁴³ FILEVA, P. A. "Review of the impact of recent crises on the China–Europe freight trains: a logistics perspective", 2023.

diversification. The primary barriers arise from regulatory compliance burdens, institutional and governance differences, and logistics-related cost pressures. These challenges are amplified by SMEs' limited financial and managerial resources, making adaptation more difficult compared to large multinational corporations. Theoretically, this research extends the Resource-Based View and Dynamic Capabilities perspectives by situating SME diversification within a context of pronounced institutional asymmetry. The findings demonstrate that managerial cognition, governance routines, and compliance capabilities are core strategic resources rather than peripheral support mechanisms. Successful diversification therefore depends not only on market identification, but also on the ability to internalize regulatory knowledge, coordinate cross-border operations, and reconfigure organizational capabilities.

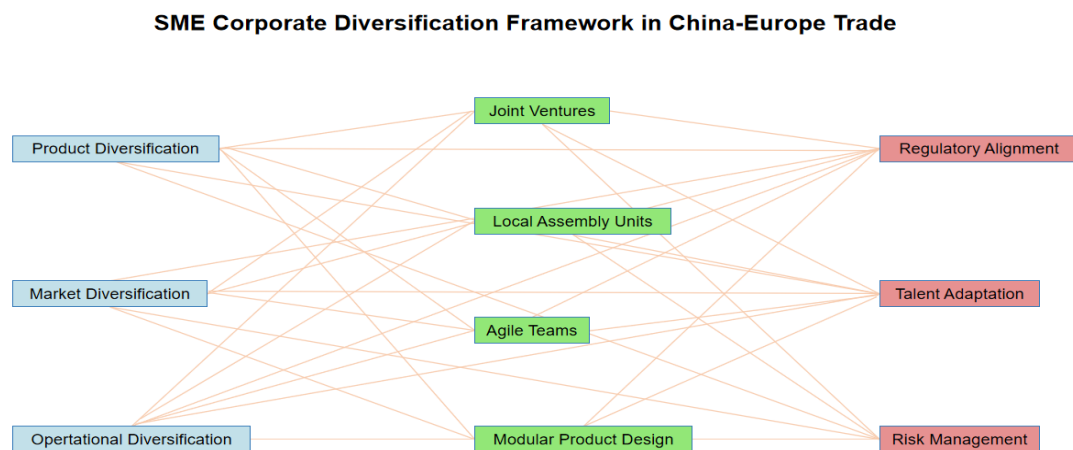


Figure 5. Recommended framework for corporate diversification. Source: Halttunen, Slade & Staffell, 2023⁴⁴; Ibrahim & Falkenbach, 2023⁴⁵.

The framework outlines four core strategic components:

Product Strategy: Modular product design aligned with CE, GDPR, and ESG requirements.

Market Strategy: Phased niche market entry with emphasis on Central and Eastern Europe.

Operational Strategy: Localized operations through regional partnerships and cross-border logistics coordination.

Regulatory and Risk Management: Compliance learning systems, financing instruments, and institutional support mechanisms.

The framework emphasizes gradual capability building and institutional adaptation to improve diversification feasibility and resilience.

Practically, the recommended framework (Figure 5) highlights how SMEs may align product, market, and operational diversification with regulatory adaptation and risk management. Modular product design and the integration of AI/IoT solutions can support compliance with GDPR, CE, and ESG standards. Partnership-based

⁴⁴ HALTTUNEN, K., SLADE, R., and STAFFELL, I. "Diversify or die: strategy options for oil majors in the sustainable energy transition", *Energy Research & Social Science*, 104, 2023, p. 103253. <https://doi.org/10.1016/j.erss.2023.103253>

⁴⁵ IBRAHIM, I. and FALKENBACH, H. "International diversification and European firm value: the role of operating efficiency", *Journal of European Real Estate Research*, 16(3), 2023, p. 381-397. <https://doi.org/10.1108/JERER-07-2023-0025>

operational localization can mitigate administrative and customs-related frictions. Meanwhile, targeted market entry through niche regional clusters—particularly in Central and Eastern Europe—can reduce exposure to competitive intensity and logistical volatility.

Policy implications: Establish SME helpdesks for CE/GDPR/REACH, pilot mutual-recognition/fast-track certification in priority sectors, expand export-credit and risk-sharing finance (EXIM/EIB), and sponsor bilateral compliance/innovation programs. These measures complement Figure 5 and directly address regulatory asymmetries that hinder SME diversification.

Beyond the China–EU context, the proposed framework is transferable to developing economies with similar institutional asymmetries, limited financial literacy, and compliance-related capability gaps. Therefore, the framework provides a scalable basis for SME diversification in other emerging trade corridors.

11. Future scope and limitation

This study's main limitation is the small, China-focused sample. Future work should expand coverage to European SMEs operating in China and to additional regions to improve external validity and generalization.

A longitudinal design (3–5 years) would capture how SMEs iteratively adjust diversification portfolios as China–EU regulations and geopolitical conditions evolve. Future research should also examine the joint effects of internal capabilities (governance routines, managerial cognition) and external institutions on diversification outcomes, using comparative case studies.

Finally, cross-national comparison beyond China–EU—e.g., Southeast Asia, the Middle East, and Africa—can test the portability of the proposed framework across regulatory systems and sectoral regimes, strengthening theory building around SME diversification under institutional distance.

Overall, this study contributes to (1) clarifying how institutional asymmetry shapes SME diversification, (2) highlighting governance and compliance capabilities as core strategic resources, and (3) providing a transferable framework applicable to other emerging trade corridors.

Additionally, the findings also hold relevance for developing economies where SMEs face similar financing constraints and capability gaps. Thus, the proposed framework can be adapted to contexts where institutional asymmetry, financial literacy limitations, and cross-border compliance barriers resemble those observed in the China–EU corridor.

12. References

- ADEKUNLE, B. I., CHUKWUMA-EKE, E. C., BALOGUN, E. D., and OGUNSOLA, K. O. "Developing a digital operations dashboard for real-time financial compliance monitoring in multinational corporations", *International Journal of Scientific Research in Computer Science, Engineering and Information Technology*, 9(3), 2023, p. 728-746. DOI: <https://doi.org/10.32628/IJSRCSEIT>
- AKANG, A. U. "Regulatory compliance and access to finance: implications for business growth in developing economies", *Sciental Journal of Education, Humanities and Social Sciences*, 1(2), 2023, p. 8-23. DOI: 10.62536/sjehss.2023.v1.i2.pp8-23
- ALICIA, G. "European investors in China are facing weak demand, more competition and tougher regulations", 2024. Available at: <https://www.bruegel.org/newsletter/european-investors-china-are-facing-weak-demand-more-competition-and-tougher-regulations> (accessed on 15th January 2025).
- BABIC, M., GARCIA-BERNARDO, J., and HEEMSKERK, E. M. "Mapping corporate investments between China and Europe in an era of geoeconomic competition", *JCMS: Journal of Common Market Studies*, 62(6), 2024, p. 1421-1441. Available at: <https://onlinelibrary.wiley.com/doi/10.1111/jcms.13672>

- BAI, W., HILMERSSON, M., JOHANSON, M., and OLIVEIRA, L. "SMEs' regional diversification: dynamic patterns and home market institutional determinants", *International Marketing Review*, 41(2), 2024, p. 358-385. DOI: <https://doi.org/10.1108/IMR-12-2021-0364>
- CHEN, H., LUO, C., RENARD, M. F., and SUN, S. "EU-China trade and intra-EU trade: substitute or complementary?", *Journal of Economic Surveys*, 36(3), 2022, p. 558-585. Available at: <https://onlinelibrary.wiley.com/doi/abs/10.1111/joes.12471>
- CHOWDHURY, M. A. A. "The impact of trade agreements on international business expansion, trade and investment in the European Union", 2025. Available at: https://lutpub.lut.fi/bitstream/handle/10024/169669/Mastersthesis_Chowdhury_Md_Adnan_Aandalib.pdf (accessed on 20th February 2025).
- DONNELLY, S. "Brexit, EU financial markets and differentiated integration", *European Papers-A Journal on Law and Integration*, 2022(3), 2023, p. 1265-1285. DOI: <https://doi.org/10.15166/2499-8249/610> (accessed on 21th September 2025).
- DU, J., PENG, S., SONG, W., and PENG, J. "Relationship between enterprise technological diversification and technology innovation performance: moderating role of internal resources and external environment dynamics", *Transformations in Business & Economics*, 19(2), 2020. Available at: https://www.researchgate.net/publication/355719777_Relationship_between_enterprise_technological_diversification_and_technology_innovation_performance_Moderating_role_of_internal_resources_and_external_environment_dynamics (accessed on 20th September 2025).
- EIKELENBOOM, M. and DE JONG, G. "The impact of dynamic capabilities on the sustainability performance of SMEs", *Journal of Cleaner Production*, 235, 2019, p. 1360-1370. DOI: <https://doi.org/10.1016/j.jclepro.2019.07.013>
- EU SME CENTRE. *SME policy environment report: 2024 update*, 2025. Available at: <https://www.eusmecentre.org.cn/publications/sme-policy-environment-report-2024-update/> (accessed on 20th February 2025).
- EUROPEAN COMMISSION. *SME internationalisation beyond the EU*, 2024. Available at: https://single-market-economy.ec.europa.eu/smes/growing-and-scaling-sme/improving-smes-access-markets/sme-internationalisation-beyond-eu_en (accessed on 20th January 2025).
- FILEVA, P. A. "Review of the impact of recent crises on the China-Europe freight trains: a logistics perspective", 2023. Available at: https://www.researchgate.net/profile/Petya-Fileva/publication/377577111_A_Review_of_the_Impact_of_Recent_Crises_on_the_China_-_Europe_Freight_Trains_A_Logistics_Perspective
- FRANCZAK, J. and WEINZIMMER, L., How SMEs leverage adaptability, risk-taking and action into positive performance — a moderated mediation model. *Journal of Small Business Strategy*, 2022, 32(4), pp. 16-29. DOI: <https://doi.org/10.53703/001c.40318> (accessed on 21th September 2025).
- GEHRKE, T. "EU open strategic autonomy and the trappings of geoeconomics", *European Foreign Affairs Review*, 27(Special), 2022. Available at: https://kluwerlawonline.com/journalarticle/European+Foreign+Affairs+Review/27.2/EER_R2022012
- GRAÑA-ÁLVAREZ, R., LOPEZ-VALEIRAS, E., GONZÁLEZ-LOUREIRO, M. & CORONADO, F. Financial literacy in SMEs: A systematic literature review and a framework for further inquiry. *Journal of Small Business Management*, 2024, 62(1), pp. 331-380. DOI: <https://doi.org/10.1080/00472778.2022.2051176> (accessed on 21th September 2025).
- HALTTUNEN, K., SLADE, R., and STAFFELL, I. "Diversify or die: strategy options for oil majors in the sustainable energy transition", *Energy Research & Social Science*, 104, 2023, p. 103253. DOI: <https://doi.org/10.1016/j.erss.2023.103253>
- HAZARI, A. "Introduction to research methodology", in *Research Methodology for Allied Health Professionals: A Comprehensive Guide to Thesis & Dissertation*, Springer Nature Singapore, Singapore, 2024, p. 1-6. Available at: https://link.springer.com/chapter/10.1007/978-981-99-8925-6_1
- HEILAND, I. and YALCIN, E., Export market risk and the role of state credit guarantees. *International Economics and Economic Policy*, 2021, 18(1), pp. 25-72. DOI: <https://doi.org/10.1007/s10368-020-00466-2> (accessed on 21th September 2025).
- IBRAHIM, I. and FALKENBACH, H. "International diversification and European firm value: the role of operating efficiency", *Journal of European Real Estate Research*, 16(3), 2023, p. 381-397. DOI: <https://doi.org/10.1108/JERER-07-2023-0025>

- IRBE, I. "European Union regulatory complexity: challenges and solutions for entrepreneurs", 2024. Available at: <https://dx.doi.org/10.2139/ssrn.4859007>
- KELE, J. E. and CASSELL, C. M. "The face of the firm: the impact of employer branding on diversity", *British Journal of Management*, 34(2), 2023, p. 692-708. DOI: 10.1111/1467-8551.12608
- LEPPÄHO, T. and PAJUNEN, K., 2018. Institutional distance and international networking. *Entrepreneurship & Regional Development*, 30(5-6), pp. 502-529. DOI: <https://doi.org/10.1080/08985626.2017.1407365> (accessed on 21th September 2025).
- MERICS. *Chinese investment rebounds despite growing frictions-Chinese FDI in Europe: 2024 update*, 2024. Available at: <https://merics.org/en/report/chinese-investment-rebounds-despite-growing-frictions-chinese-fdi-europe-2024-update> (accessed on 15th January 2025).
- PAN, L., FU, X., and LI, Y. "SME participation in cross-border e-commerce as an entry mode to foreign markets: a driver of innovation or not?", *Electronic Commerce Research*, 23(4), 2023, p. 2327-2356. DOI: 10.1007/s10660-022-09539-7
- RAES, S. "Understanding SME heterogeneity: towards policy-relevant typologies for SMEs and entrepreneurship: an OECD strategy for SMEs and entrepreneurship", 2021. Available at: <https://dx.doi.org/10.1787/c7074049-en> (accessed on 8th February 2025).
- RAHMAN, M., AKTER, M. & RADICIC, D., Internationalization as a strategy for small and medium-sized enterprises and the impact of regulatory environment: An emerging country perspective, *Business Strategy & Development*, 3(2) (2020), pp. 213-225. DOI: <https://doi.org/10.1002/bsd2.90> (accessed on 21th September 2025).
- SRIVASTAVA, P. and SRIVASTAVA, D. K. "Resource-based theory and SMEs internationalisation: evidence from Indian firms", *International Journal of Entrepreneurship and Small Business*, 37(3), 2019, p. 364-398. DOI: <https://doi.org/10.1504/IJESB.2019.101105>
- SU, F., KHAN, Z., LEW, Y.K., PARK, B.I. & CHOKSY, U.S. Internationalization of Chinese SMEs: The role of networks and global value chains. *Business Research Quarterly*, 2020, 23(2), pp. 141-158. DOI: <https://doi.org/10.1177/2340944420916339> (accessed on 21th September 2025).
- TARIQ, M. U. "Innovative strategies for enhancing SME competitiveness in emerging economies", in *Models, Strategies, and Tools for Competitive SMEs*, IGI Global, 2025, p. 151-172. Available at: <https://orcid.org/0000-0002-7605-3040>
- TEECE, D. J. "Dynamic capabilities as a (workable) management systems theory", *Journal of Management & Organisation*, 24(3), 2018, p. 359-368. DOI: 10.1017/jmo.2017.75
- THELISSON, A. S. and JACQUEMOT, F. "International expansion of French SMEs as a growth lever-insights from a case study", *Strategy & Leadership*, 53(3), 2025, p. 274-298. DOI: <https://doi.org/10.1108/SL-09-2024-0092>
- THIRAWAT, J. "E-Commerce in ASEAN: an emerging economic superpower and the case for harmonising consumer protection laws", *South Carolina Journal of International Law and Business*, 18(2), 2022, p. 6. Available at: <https://scholarcommons.sc.edu/scjilb/vol18/iss2/6>
- WEN, K., ALESSA, N., MARAH, K., KYEREMEH, K., ANSAH, E. S. & TAWIAH, V. The Impact of Corporate Governance and International Orientation on Firm Performance in SMEs: Evidence from a Developing Country. *Sustainability*, 2023, 15(6), 5576. DOI: <https://doi.org/10.3390/su15065576> (accessed on 21th September 2025).
- ZHANG Y., CHENG C. (2025), "Performance relative to aspiration and SMEs' internationalization speed: the moderating effects of policy knowledge and institutional distance". *International Journal of Emerging Markets*, Vol. 20 No. 4 pp. 1641-1665, doi: <https://doi.org/10.1108/IJOEM-07-2022-1090> (accessed on 21th September 2025).