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Strategies That Chinese Small and Medium-Sized Enterprises Use to Attract Venture Capital

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This is to certify that the doctoral study by

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Walden University
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Abstract

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MBA, University of Miami, 2007

BBA, Ecole Supérieure de Commerce de Montpellier, 2003

Doctoral Study Submitted in Partial Fulfillment

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Abstract

Small and medium-sized enterprises (SMEs) contribute to China's economic growth and help maintain social stability. However, SME business leaders have cited access to finance as an obstacle of SMEs' survival and success. The purpose of this multiple case study was to identify main strategies SME entrepreneurs and business leaders used to attract venture capital (VC) investments to achieve financial sustainability and business expansion. Data were collected from a purposive sample of 23 entrepreneurs and leaders from 4 SMEs in China and an analysis of organizational artifacts. The resource-based view theory served as the primary conceptual framework. The data analysis process entailed using coding techniques to identify keywords, narrative segments, and concepts. Member checking ensured the credibility and trustworthiness of the data interpretation and analysis. The process led to 4 themes including developing a unique and pioneering business model, assembling a management team with industry experience, indicating use of raised capital in investing in technology, and engaging with superior principal endorsements during the fund-raising efforts. The implication for positive social change included the potential to enhance the capability of SME entrepreneurs and business leaders to obtain VC funding to support their businesses, which can increase economic development and improve the social stability of local communities in China. The findings from the study may contribute to the development of the SME sector in China and benefit their owners, business leaders, employees, future entrepreneurs, the local community, as well as economy of China.

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Dedication

I would like to dedicate this research to my broad family. To my dearest papa, Mr. Pierre Teissier, who nudged and supported me when I was pursuing university education in finance in France, who encouraged me to pursue my dreams in the U.S., and who had been a role model in my life. To my dad, Mr. Jiancheng Zhong, who does not talk much but has always loved me unconditionally. To my mom, Ms. Fengying Chen, who helped me in all things great and small. I also dedicated this dissertation to my Christian church family in France, the U.S., and China. I will always appreciate how they helped me when I was pursuing education and working in the respective regions.

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Section 1: Foundation of the Study

Small and medium-sized enterprises (SMEs) in China are the backbone of the economy and social structure (Kumar & Rao, 2015): The over 42 million SMEs in China (Salim, 2015) accounted for 99.7% of all enterprises (Yang & Xin, 2014). SMEs contribute around 60% of gross domestic product (GDP) and taxes (Banwo, Du, & Onokala, 2017; Majková, Solík, & Sipko, 2014; Salim, 2015) and 68% of exports (Banwo et al., 2017); employ over 75% of employees in cities and towns (Banwo et al., 2017; Yang & Xin, 2014), supply 65% of patents; 75% of technology innovation, and 80% of new product development (Yang & Xin, 2014); and provide a back-up to larger enterprises (Kumar & Rao, 2015). SMEs are significant contributors to the economy and society of China.

Background of the Problem

The financing difficulty of SMEs in China restricts their growth (Hao & Li, 2014; Yang & Xin, 2014). Due to SMEs' small scale, lack of creditworthiness, low production level, and imperfect management and financial mechanisms, SME owners in China have difficulty in obtaining external financing (Hao & Li, 2014; Song, Huang, Ran, & Liu, 2016), and they also face difficulties find the right type of external financing at an affordable cost (Abe, Troilo, & Batsaikhan, 2015). Venture capital (VC) is a viable alternative financial resource for SMEs (Ahmed & Khan, 2016; Hisrich et al., 2016; Wonglimpiyarat, 2015). The purpose of this study was to explore the strategies that SME entrepreneurs and business leaders can use to attract VC investments, which can contribute to the economic growth of China.

Problem Statement

SMEs in China have difficulty in obtaining external financing, which restricts the development and transformation of their business activities (Banwo et al., 2017; Song et al., 2016; Yang & Xin, 2014). Over 92% of SMEs in China have funding gaps in varying degrees, and 67% of SMEs cannot survive beyond 3 years because of funding difficulties (Liu, 2015). The general business problem is that business leaders of SMEs in China lack innovative strategies to attract external financing needed to grow their businesses. The specific business problem is that some SME business leaders in China lack strategies to attract VC investments.

Purpose Statement

The purpose of this qualitative, multiple case study was to explore the strategies that SME entrepreneurs and business leaders in China use to attract VC investments. The targeted population consisted six entrepreneurs and17 business leaders from four SMEs based in China, who successfully obtained VC funding in the past 5 years. The implication for positive social change included the potential to enhance the capability of SME entrepreneurs and business leaders to obtain a feasible source of external financing to support the development and transformation of their businesses, which could improve the economic development and social stability of local communities.

Nature of the Study

Research methods for addressing research questions include qualitative, quantitative, and mixed (McCusker & Gunaydin, 2015). A quantitative method was not appropriate for this study, as I did not seek to test hypotheses about the relationships or differences among variables. A mixed method was not appropriate for this study. In a mixed research, a researcher would collect, analyze, and use both quantitative and qualitative methods in a single study to understand a research problem (Zhang & Watanabe-Galloway, 2014). Because a qualitative method related to understanding aspects of social life and business phenomena (McCusker & Gunaydin, 2015), a qualitative research method was useful for this study. Moreover, as Mukhopadhyay and Gupta (2014) indicated, using a qualitative method could allow me to use the experience and perspectives of different individuals from organizations or phenomena and engage in a long-term research.

I used a qualitative multiple case design to address the specific business problem. A qualitative case study is appropriate when a researcher wants to explore organizational and individual experiences, situations, and activities (Houghton, Murphy, Shaw, & Casey, 2015). By contrast, a researcher using narrative designs is interested in identifying and exploring participants' told stories, interpreting the social world of the participants in a sequential way and gaining a comprehensive understanding of phenomena (Joyce, 2015). Phenomenology is primarily used in humanities, human sciences, and arts disciplines, with a goal of describing the meanings of participants' experiences and elucidating first-person experiences of phenomena (Matua, 2015); a researcher considers phenomenological designs when the researcher expects to conceptualize the processes and structures of participants' mental life associated with a phenomenon (Matua, 2015). A researcher employing grounded theory seeks to use the procedural structure to move from systematically collecting and analyzing data to produce a conceptual theory

(Markey, Tilki, & Taylor, 2014); the goal of a grounded theory researcher is to discover the patterns of social behavior, understand how research participants define their reality, and conceptualize how the participants resolve their main concerns (Markey et al., 2014). Cordoba-Pachon and Loureiro-Koechlin (2015) suggested that ethnography was about telling a story about what happened in a group's setting; in an ethnographic study, a researcher would describe how culture or subculture influenced the behavior of a group (Draper, 2015); an ethnographic researcher would emphasize that there was no single objective truth or reality because none of human existence or practices are the same. Therefore, narrative research, grounded theory, phenomenology, and ethnography were not appropriate for this study. I chose a multiple case study design, because I was interested in exploring the phenomena of strategies that SME entrepreneurs and business leaders in China use to attract VC investments.

Research Question

What strategies do SME entrepreneurs and business leaders in China use to attract VC investments?

Interview Questions

1. At what point in your business cycle did you obtain VC investments?
2. What strategies did you use to attract VC investments?
3. What strategies did you use that were not successful in attracting VC investments?
4. How did you identify appropriate VC investors that were willing to work with you?

5. What were the major obstacles in obtaining VC investments?
6. How did you address the major obstacles in implementing your strategies for obtaining VC investments?
7. What were the other critical factors that we have not discussed but related to your obtaining VC investments?

Conceptual Framework

The conceptual framework for this study was the resource-based view (RBV), which is used to describe the conditions under which organizations can gain and sustain a competitive advantage (Swanson & Droege, 2016). The RBV provides a framework for both public and private business entrepreneurs to view organizations as a bundle of resources (Swanson & Droege, 2016). Resources are essential to the creation of new ventures and the growth of SMEs, and firm resources include human resources, social resources, organizational resources, physical resources, and financial resources (Greene, Brush, & Brown, 2015). In exploring business phenomena, the RBV is a common theory that researchers use to frame organizational survival and performance (Aminu & Shariff, 2014), and it can indicate how researchers and business leaders connect resources to the strategies an organization pursues (Barney, 1991). The RBV is also the most widely accepted theory applied in strategic management (Hadi, Abdullah, & Sajilan, 2015). Fonseka, Yang, and Tian (2013) demonstrated the relevance of the conceptual framework for explaining SMEs' access to financial capital in a tightly regulated institutional environment, such as in China. Fonseka et al. argued that the difference among firms in terms of financing is due to distinct strategic orientations adopted. Therefore, strategic abilities of SME entrepreneurs and business leaders can improve their chance of attracting investments from capital markets. Aminu and Shariff (2014) also suggested the RBV was a conceptual framework that could provide information on why developing successful strategic orientations would generate external financing opportunities and how obtaining financial resources could contribute to business success. I used the RBV to explain how the Chinese SME entrepreneurs' and business leaders' adoption of innovative and appropriate strategies would enable them to access VC financing to achieve financial sustainability and business growth.

Operational Definitions

The following definitions represent terminologies that require a further description to clarify and assist in understanding the study. The definitions below apply to the following terminologies as applicable to the purpose of the study.

External financing: External financing is composed of direct financing and indirect financing. Direct financing refers to debt financing or equity financing, where indirect financing means raising capital from bank loans and government supporting funds, such as tax and policy subsidies (Yang & Xin, 2014).

Internal financing: Internal financing or internal sources of funds refer to self-raised funds (Yang & Xin, 2014); internal sources of funds comprise personal or family savings and retained earnings (Haron & Ibrahim, 2016).

Private equity (PE): PE is a form of equity investments into private companies as opposed to the companies listed on the stock exchange (Saric, 2015).

Small and medium-sized enterprises (SMEs): Different economies of the world and different industries have different definitions for SMEs (Sajilan, Tehseen, & Adeyinka-Ojo, 2016; Tony, Kehinde, Oluwadamilare, & Olamide, 2018). SMEs are the enterprises with small scale of operation where assets, number of employees, and volume of revenues are not large (Wu & Parkvithee, 2017). In China, SMEs refer to the enterprises that employ fewer than 2,000 people, have an annual turnover of business of no greater than 300 million yuan, and a total asset of equal to or less than 400 million yuan (Wu & Parkvithee, 2017).

SME financing: SME financing, or financing of SMEs, is an economic behavior based on enterprises' production, uses of capital, and their future development, which guarantees the operation and development of the enterprises by using patterns in internal accumulation or capital collected from external investors and creditors (Yang & Xin, 2014).

Venture capital (VC): VC, as an alternative asset class, is a subset of PE (Klingler-Vidra, 2014). VC investments are private and non-exchange-traded equity investments in a business venture (Snyman, Kennon, Schutte, & von Leipzig, 2014), which has not yet reached market maturity (Wilk, 2016). Depending on organizational objectives, VCs can be classified into traditional VCs (TVCs) and philanthropic VCs (PhVCs), whereby a PhVC firm is a professional investment firm that applies the investing practices developed in TVC firms to fund growing social enterprises by which it can pursue a dual objective of maximizing the social and economic returns of its investments; a TVC has a singular focus on maximizing the economic return of its investments (Scarlata, Walske, & Zacharakis, 2017).

Venture capitalists: Venture capitalists are group of investors who invest in growing businesses with potential, and their aim is to fast track growth in already existing businesses (Tony et al., 2018). Venture capitalists include groups of wealthy investors, investment banks, and other financial institutions (Tony et al., 2018). Because VC investment is high-risk and illiquid, venture capitalists expect a higher rate of return compared with exchange-traded equities (Klingler-Vidra, 2014; Snyman et al., 2014).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are thoughts that a researcher accepts as true before obtaining actual evidence (Leedy & Ormrod, 2013). Nkwake and Morrow (2016) argued that assumptions are beliefs, expectations, and considerations that humans take for granted about how the world works, is articulated or unarticulated, or valid or invalid. The incorrect assumptions that a researcher uses can cause issues, in which cases a researcher may not pay sufficient attention to the impact of measurement integrity on the integrity of substantive research conclusions (Fan, 2013).

Types of assumptions include normative assumptions, diagnostic assumptions, prescriptive assumptions, causal assumptions, and external assumptions (Nkwake, 2013). In conducting this qualitative multiple case study, I made two assumptions: (a) the SME entrepreneurs and business leaders in China who had successfully attracted VC investments to support their business growth shared similar experiences; and (b) the participating SME entrepreneurs and business leaders responded frankly, gave true feelings, and answered the interview questions thoroughly.

Limitations

Limitations are factors that may affect a researcher's research method and analysis that are out of the control of the researcher (Leedy & Ormrod, 2013). Under the limitations subsection, a researcher addresses the limitations and shortcomings of every aspect of the study and describes limitations related to sampling, design, measures, procedures, and statistical analyses (Bowen, 2003). A researcher typically refers to what the researcher writes in the research method section when writing limitations (Bowen, 2003). A limitation of this study was the interview because participants might have provided socially desirable responses instead of the real ones that they perceived as socially undesirable. Participants also might not be able to recall the financing strategies or process that they used to attract VC investments. The SME entrepreneurs and business leaders based in China limited the scope of the study. The definition for SMEs that I selected might affect my research conclusion, as different economies of the world and international organizations defined SMEs in different ways (Sajilan et al., 2016; Tolba, Seoudi, & Fahmy, 2015).

Delimitations

A researcher describes the boundaries or scope that the researcher sets for the research under the delimitations subsection (Leedy & Ormrod, 2013). In this research, I selected the SMEs based on the three main parameters that had been applicable to define

SMEs: number of employees, annual turnover of business or business revenue, and total assets (Abe et al., 2015).

Significance of the Study

Owners of SMEs and society in China could benefit from the results of this study. As a sector in China, SMEs make a significant contribution to regional economic growth, employment (Haron & Ibrahim, 2016; Wonglimpiyarat, 2015; Yang & Xin, 2014), and intergenerational sustainability (Yang & Xin, 2014); hence, Chinese people regard the sector as an essential instrument of economic development. The innovative capability of SMEs is also a driver of their sustainable competitive advantage (Wang, Robson, & Freel, 2015). SME entrepreneurs' lack of access to finance is an obstacle to the survival and development of their businesses (Abe et al., 2015; Banwo et al., 2017; Hassan & Mohamed, 2014; Tony et al., 2018). One problem associated with SMEs' inadequate financing was SME entrepreneurs' lack of awareness about the approachability towards potential sources of finance (Kumar & Rao, 2015). Abe et al. (2015) argued that SME owners in China also could not find the right type of financing at an affordable cost to start and grow their businesses. Tony, Kehinde, Oluwadamilare, and Olamide (2018) further emphasized that for entrepreneurs to achieve business expansion and generate profits, it would be essential to ensure the right type of capital matches the real risk involved. VC as a pool of sources for SMEs and venture capitalists contributes to developing entrepreneurship and positively impacts the growth of national economies (Dušátková, Zinecker, & Meluzín, 2017); therefore, exploring strategies for sources of external financing, particularly VC funding, to support the development of SMEs had been a subject of great interest to researchers.

Contribution to Business Practice

Owners and business leaders of SMEs in China could benefit from the results of this study. SMEs contribute to the economic growth and employment in China, while owners of SMEs are facing more constraints in accessing capital than larger or more mature companies and state-owned enterprises (SOEs), which limits SMEs' development (Hassan & Mohamed, 2014; Porumboiu, 2016; Wonglimpiyarat & Khaemasunun, 2015). Abe et al. (2015) and Banwo et al. (2017) suggested that a lack of capital had been the most critical constraint for SMEs to survive and grow. In developed economies, VC was an alternative source of finance for SMEs (Jin, Zhang, Shan, & Li, 2015); however, in developing economies such as in China, many SME entrepreneurs and business leaders either failed to realize the role of VC in supporting SMEs, or did not have a systematic approach or an appropriate strategy for identifying and prioritizing potential external investors. In this study, I aimed to identify and explore the strategies that Chinese SME business leaders could use to attract VC investments. Owners of SMEs in China could learn from the results of this study and adopt the recommended strategies to finance and support their business operation and expansion.

Implications for Social Change

Society could benefit from the findings of this study. The social growth of China is driven by SMEs and entrepreneurship (Hassan & Mohamed, 2014), as SMEs employ over 75% of employees in cities and towns (Banwo et al., 2017; Yang & Xin, 2014);

supply 65% of patents, 75% of technology innovation, and 80% of new product development (Yang & Xin, 2014); and also provide a back-up to larger enterprises (Kumar & Rao, 2015). Tolba et al. (2015) suggested there was a positive relation between the relative size of the SME sector and economic growth of a country. Venture capitalists play a role in providing external sources of financing for SMEs (Wonglimpiyarat & Khaemasunun, 2015). A greater understanding of how SME entrepreneurs and business leaders effectively attracted VC investments could help the economic and social wellbeing of entrepreneurs and entrepreneurship (Wang et al., 2015). This study could provide insights and strategies for obtaining VC investments, which could be applicable in facilitating the Chinese SME entrepreneurs and business leaders' efforts in sustaining and developing their business ventures. This could increase the economic development of local communities.

A Review of the Professional and Academic Literature

This section comprises a literature review opening narrative, literature search strategy, a summary of total number and percentages of peer-reviewed and scholarly articles, a critical analysis and synthesis of the professional and academic literature pertaining to the conceptual framework and themes identified in the problem statement, and a comparison of the commonalities and differences of the research findings in the literature.

The purpose of this literature review is to explore published literary works related to the problem statement and the research question of this study. The rationale for this research, therefore, is to explore the relevancy of RBV in explaining SMEs' access to financial resources, how SMEs' lack of external financing hinders their development, why VC can be a right external source of funding for SMEs in China, and strategies that some Chinese SME entrepreneurs and business leaders use to attract VC investments.

A literature review is a summarization of the literature in an academic field and a critical analysis of what researchers have written about a topic; a researcher uses a literature review to conceptualize models for empirical testing (Huang & Yasuda, 2016; Wakefield, 2015). Each piece of a literature review is a concentrated presentation of a topic (Huang & Yasuda, 2016). Future researchers can use literature reviews to highlight the important studies and pinpoint the potential opportunities for future research (Huang & Yasuda, 2016). In an effective literature review, a researcher facilitates theory development, closes areas where a plethora of research exists, uncovers areas where a researcher needs to further study, and creates a foundation for advancing knowledge (Huang & Yasuda, 2016). In an effective literature review, a researcher emphasizes continuity, objectivity, and integrality (Huang & Yasuda, 2016).

This literature review is comprised of an in-depth information from various scholars regarding SMEs' accessibility to VC financing in China. I accumulated a total of 68 sources through academic search engine and databases and categorized them into six main categories and eight subcategories. The literature review contains all peer-reviewed sources and 88.6% sources published within 5 years of the expected date of receiving (see Table 1).

Table 1

Breakdown of Literature Review Sources

Sources of content	Total literature reviewed sources	Total literature review sources within five years of graduation date	Peer-reviewed articles, books, and government sources
Articles	79	70	79
Books	0	0	0
Government sources	0	0	0
Total	79	70	79

A search of literature for peer-reviewed, dissertations, referred journal articles, scholarly books, and research documents began with academic databases and school library. I obtained literature by locating articles relevant to the identified themes, topics, and subtopics and applying a variety of alternative search terms, such as *alternative theory of RBV, capital markets financing, financial constraints, financial resources, entrepreneurship, external financing, RBV, SMEs, SMEs' contribution to China's national economy and society, SMEs' financing difficulties in China, VC, VC industry in China, VC as a feasible external source of financing to support SMEs*, and *venture capitalists' investment criteria*. In addition, the search included competitive advantage, data saturation, entrepreneurial success, member checking, organizational sustainability, research and development (R&D), strategic orientation, technological innovation, the concept of qualitative case study method, as well as triangulation.

The organization of the literature review is by subject matter and contents. The literature review includes varying perspectives to build a comprehensive, holistic, and nonbiased view of the topic. The highlights of focus include RBV, alternative theory, SMEs in China's national economy and society, SMEs' financing difficulties, feasible source of external financing for SMEs in China, and SMEs' strategies to attract VC investments.

Resource-Based View

The primary theory for this study was the RBV. The RBV emerged in 1984, when Wernerfelt (1984) introduced the concept and proposed that researchers could study resources as the sources of competitive advantages for an organization, whereby a resource could be anything that might be a strength or weakness of an organization, including capital, processes, equipment, personnel, brand names, in-house knowledge of technology, and trade contracts. The RBV focuses on firm-specific resources (Li, Zheng, & Wang, 2016). From the RBV perspective, such sources of competitive advantage can range from tangible assets to intangible assets, such as human capital and intellectual capital (Wernerfelt, 1984).

Resource-based view, firm strategy, and competitive advantage. Since 2001, the RBV and its derivatives have been applied in strategic management (Acar & Polin, 2015; Price & Stoica, 2015) and more recently in entrepreneurship (Price & Stoica, 2015). Researchers have also recognized the RBV as one of the top three theories in understanding firm strategy in emerging economies (Kazlauskaitė, Autio, Gelbūda, & Šarapovas, 2015). Under the traditional paradigm of RBV, a firm can achieve growth through developing or exploiting available resources and capabilities, and the resources and capabilities a firm possesses can lead to superior long-term performance (Wernerfelt, 1984).

Building on the two assumptions that (a) researchers and business leaders heterogeneously distribute strategic resources across firms and (b) differences are immobile over time, Barney (1991) analyzed the relationship between firm-specific resources and sustained competitive advantage. Barney (1991) developed a framework for evaluating if firm-specific resources could be sources of a sustained competitive advantage and how a firm could build, access, control, and leverage the resources for a sustainable competitive advantage in an efficient and effective manner. Barney (1991) argued that firms achieve superior performance with resource advantage due to the efficiency in exploiting its resource advantage, rather than to the efforts of the firm to create imperfectly competitive conditions in a way that fails to maximize social welfare. According to Barney (1991), success is the function of firm resources and capabilities; to be successful, firm resources and capabilities must have attributes. Barney (2001) argued that the RBV emphasized resources in interfirm collaboration, and value creation would arise from accessing, mobilizing, and synergizing unique resources embedded in collaborative partners.

Li et al. (2016) argued that the existence of any form of organizations depended on its possession of valuable, rare, hard-to-imitate, and immobile resources. Li et al. claimed that unique, sticky, and embedded resources are fundamental to the competitive advantage of a firm. The RBV is a framework for private and public business entrepreneurs and leaders to view entities as a bundle of resources, and such entities have the potential to develop competitive advantage and hold it for some time when assembling their resources in combinations that are difficult for others to acquire (Swanson & Droege, 2016).

Kim, Song, and Triche (2015) developed a study from two perspectives based on resources and capabilities. Drawing on the RBV of a firm to define resources and capabilities, Kim et al. incorporated resources, capabilities, and how they affected elements of service innovation. From a perspective of RBV, resources and capabilities of a firm are components in formulating an innovation strategy (Kim et al., 2015).

Fonseka et al. (2014) aggregated 4,530 firm-year observations from the high regulated Chinese market and investigated the impact of different sources of external financing and internal financial capabilities on competitiveness and sustainability. Fonseka et al. found that external financing abilities, rather than internal financing abilities, had offered a firm significant advantage. The abilities of a firm to raise capital from existing shareholders, the public, and easy access to bank financing were a competitive advantage for a firm within its industry. Fonseka et al. also proposed that instead of focusing on the contribution of a firm's capabilities to its total profitability, future studies on RBV should concern with resources and capabilities on sustainability.

In many studies focused on success of SMEs, researchers only use one theory at a time to explain the success factors; in contrast, Hadi et al. (2015) combined the RBV, resource dependence theory (RDT), and stakeholder theory to analyze the success factors of a business. Each organization is an opened system between itself and the external environment; therefore, controlling key resources is essential for organizational success.

Hadi et al. identified that an organization will be successful if it has the resources and capabilities with right attribute and characteristic like value. Unique feature converts resources and capabilities of an organization to superior performance, which leads to business success.

Resource-based view and SME growth. Four different theoretical perspectives can explain firm growth, which are the strategic adaptation perspective, the motivation perspective, the configuration perspective, and the RBV (Kachlami & Yazdanfar, 2016). Researchers can use the RBV to explain firm performance mostly by firm-level variables (Yazdanfar & Öhman, 2015). From the perspective of the RBV, any firm that expects to have better performance should combine resources, which increases its competitive capacity (Barney, 1991). For entrepreneurs, a shortage of resources may lower the probability of the entrepreneurial success of enterprises (Huang, 2014).

According to the RBV, established corporations are better able to exploit economies of scale because they are more diversified and suffer less from information asymmetry, moral hazards, financial distress, cash flow volatility, and the threat of bankruptcy than SMEs (Yazdanfar & Öhman, 2015). In the RBV, because established firms have had time to acquire resources, they have more intangible assets, such as knowledge, network, markets, and communication systems than start-ups and SMEs do (Yazdanfar & Öhman, 2015). Kachlami and Yazdanfar (2016) further indicated that bigger SMEs had achieved higher rates of growth than smaller SMEs did because of the availability of more resources for bigger SMEs.

Price and Stoica (2015) investigated the combined effects of multiple resource variables and firm performance. Price and Stoica conducted statistical tests on the relationship among the five categories of resources and reaffirmed that the RBV did have potential to explain performance of SMEs. Entrepreneurship is a part of the RBV, and high-performing SMEs possess a predisposition for entrepreneurial and strategic orientation (Price & Stoica, 2015).

Banwo et al. (2017) advanced the RBV study and employed the RBV as a conceptual framework. Banwo et al. used evidence drawn from a sample size of 2,700 privately-owned and 148 state-owned firms in China and 2,676 firms in 19 states of Nigeria and concluded that the RBV remained relevant in SMEs-related studies due to the adaptive and informal structures in most contexts, and the RBV provided a robust perspective and theoretical basis for investigating SMEs' positioning, strategic choice, and adaptive capacity in their domains.

Zhao (2014) took a combined perspective of the RBV, entrepreneurship, innovation, and social network theory and suggested that resources often included tangible workforce, equipment, and financial and production capacity. Zhao delivered a new and holistic insight on SME strategic alliance and concluded that from a RBV perspective, the key factor that drove SMEs to enter strategic alliances and affected SMEs' decision to select whom they partner with was gaining much needed recourses.

Darcy et al. (2014) considered organizational sustainability in the SME context focusing on a RBV. Darcy et al.'s research was unique in the approach to examine sustainability within the context of SMEs the human resource management aspects that contributed towards organizational survival, growth, and sustainability. With RBV as a conceptual framework, SME entrepreneurs and business leaders can identify those underconsidered areas of growth and operations, where appropriate and timely interventions are likely to pay dividends (Darcy et al., 2014). Darcy et al. proposed that the RBV of the firm, with the idea of sustained competitive advantage, would need to become the tool of SMEs that encountered hardships for survival and growth.

Resource-based view, financial resources, and SME performance. The center of interest in the RBV is on resources of a firm, such as financial resources, human resources, and expansion of business activities (Kachlami & Yazdanfar, 2016). Financial resources are assets because they can enable organizations to sufficiently support their current and future operation (Ayob, Ramlee, & Abdul Rahman, 2015), and increased funds increase business performance (Adomdza, Åstebro, & Yong, 2016). A firm uses its financial resources to make investment with an expectation of growth and of achieving higher profitability (Yazdanfar & Öhman, 2015). Ayob, Ramlee, and Abdul Rahman (2015) suggested that the availability of resources of a firm are imperative for sustaining its growth could be a measure for its financial standing. The RBV framework includes the relationship between social capital and business performance, and it indicates that the factors related to innovation and financial capabilities are important for success of SMEs (Campbell & Park, 2017).

Strategic orientations have influenced SME performance, while they have neglected the role of access to finance (Aminu & Shariff, 2014). Aminu and Shariff (2014) proposed that access to finance might further explain the relationship between performance of SMEs and the combination of the four strategic orientations: (a) entrepreneurial orientation, (b) market orientation, (c) learning orientation, and (d) technology orientation. Aminu and Shariff highlighted the urgency for future researchers to consider the mediating effect of access to finance on such relationship. In addition, Aminu and Shariff suggested that weak strategic activities would affect SMEs' ability to access finance and, in turn impact performance, with strategic ability of a firm being a factor in predicting its access to finance. Aminu and Shariff concluded that developing successful strategic orientations would generate more internal finance and external finance. Similarly, Fonseka et al. (2013) found that the difference between firms in terms of financing is due to organizations' adopting distinct strategic orientations.

Limitations of resource-based view. The RBV has limitations as a theory, and it has limited value in generating managerial prescriptions (Knott, 2015). Priem and Butler (2001) argued that the elemental RBV was not a theoretical structure as a potential theory. Because proponents of the RBV assumed stability in product markets, the RBV had eschewed values of the determining resources (Priem & Butler, 2001). Priem and Butler also stated that as a perspective for strategic management, imprecise definitions would hinder prescription and static approaches relegate causality to a "black box." Priem and Butler made four criticisms on the Barney's (1991) RBV: (a) the RBV was tautological, (b) different resource configurations could generate the same value for firms and thus would not be a competitive advantage, (c) the role of product markets was underdeveloped in the argument, and (d) the RBV had limited prescriptive implications.

In response to Priem and Butler's (2001) comments, Barney (2001) proposed counterarguments associated with the four major criticisms. Barney's (2001) arguments included: (a) it was difficult to find a resource that satisfied all of Barney's (1991) "valuable, rare, imperfectly imitable, and non-substitutable" criterion and (b) that there was the assumption that a firm could be profitable in a highly competitive market as long as it could exploit advantageous resources, but this might not necessarily be the case. The traditional RBV framework did not include external factors concerning the industry as a whole; researchers should also consider Porter's industry structure analysis (Barney, 2001). I stopped reviewing here. Please go through the rest of your lit review and look for the patterns I pointed out to you. I will now look at Section 2.

From the inter-firm collaboration perspective, Acar and Polin (2015) argued that although the RBV had offered insights on transactional and resource factors shaping inter-firm collaboration and it had also provided the advantage of an additional infusion of the economics of production into the management field, the RBV overlooked institutional contexts where collaborations took place (Acar & Polin, 2015; Li et al., 2016). In addition, since the RBV highlights firm-specific resources, it neglects institutional factors and the fact that formal and informal institutions, in which firms operate, may affect resource development, allocation, acquisition, and firms' access to resources through market mechanisms (Li et al., 2016).

Based on an individual's teaching experience, Knott (2015) suggested that there were practical difficulties in translating the RBV into application guidelines and in linking analysis and action. Knott (2015) argued that the RBV could be misleading in a rapidly changing environment and it had overemphasized the potential for leveraging existing resources. Another established criticism of the RBV is a claimed tendency to elicit static and inward-looking descriptions insufficiently geared to future-focused decisions (Knott, 2015). Knott (2015) also proposed that effective RBV-based analysis should incorporate a means of assessing negative as well as positive implications of a firm's resources.

Alternative Theory

The RBV is the most widely accepted theory applied in strategic management (Hadi et al., 2015). Critics of the RBV believe that the RBV is context-free and U.S.-centric (Li et al., 2016), of which the four major criticisms are: (a) the RBV is tautological, (b) different resource configurations can generate the same value for firms and thus will not be competitive advantage, (c) the role of product markets is underdeveloped in the argument, and (d) the RBV has limited prescriptive implications (Priem & Butler, 2001). Some of the best management theorists have put forth their beliefs on why organizations come to be and what makes them successful (Arik, Clark, & Raffo, 2016). Within this body of work, are two well-known theories, RBV and RDT.

Resource dependence theory. RDT is based on power dynamics and it has grown from Pfeffer and Salancik (1978); at its basic level, the RDT explains that organizations are a collection of power relations based on the exchange of resources (Arik et al., 2016). From an RDT perspective, an organization is established on the resources of another organization; in another word, an organization depends on the environment and other actors in this environment for success (Hadi et al., 2015).

To achieve success, organizations modify their structure and patterns of behavior to best secure needed external resources (Arik et al., 2016). An organization gains overall power by having resources that others need and decreasing its dependence on others for resources crucial to its own needs (Arik et al., 2016). The RDT has three main parts: (a) organizations are assumed to be comprised of internal and external coalitions; coalitions emerge from social exchanges that are formed to influence and control behavior; (b) the environment is assumed to contain scarce and valued resources essential to organizational survival; and (c) organizations are assumed to work towards two related goals within their environment, which are, to acquire control over resources to that minimize their dependence on their organizations and to acquire control over resources that maximize the dependence of other organizations on themselves (Arik et al., 2016).

Knowledge-based view. Knowledge has emerged as a resource for organizations to remain competitive and the knowledge-based view (KBV) of organizations has gained considerable attention (Chen & Liang, 2016). Researchers adopted the RBV to investigate the impact of knowledge as an asset on organizational performance and argued that knowledge assets could be the most crucial resource for an organization to gain performance, and knowledge management could further facilitate in achieving organizational performance (Chen & Liang, 2016). Researchers have defined six categories of knowledge perspectives, which include, knowledge on data and information, state of mind, objects, processes, information access, and capabilities (Chen & Liang, 2016).

The KBV suggests that through managing knowledge-based resources, organizations are more likely to obtain sustainable superior performance and competency than their managing tangible resources (Ul Rehman, Ilyas, & Asghar, 2015). The KBV postulates that knowledge sharing practices among individuals, groups, and units are essential for organizations, to create, share, capture, and apply knowledge that enables business leaders to improve resource structuring and capacity building, which leads to superior organizational performance (Ul Rehman et al., 2015). The KBV argues that explicit and tacit knowledge provides solid foundation for an organization to attain and sustain competitive position (Ul Rehman et al., 2015). Based on theoretical lenses of the KBV, explicit knowledge sharing not only directly influence organizational performance but also indirectly influence organizational performance through strengthening the knowledge management strategies (Ul Rehman et al., 2015). In this regard, knowledge sharing practices refer to synchronization, collaboration, and sharing of existing knowledge and expertise within the organization, which encompasses a set of shared meanings and understandings of related knowledge to employees with access to relevant information and knowledge (Ul Rehman et al., 2015).

SMEs in China's National Economy and Society

Entrepreneurial activities have positive impact on the quality of people's life and the economy of a nation; academic researchers have concluded a positive relationship between activities of SMEs of a nation and their stimulation of economic prosperity, employment generation, as well as poverty alleviation (Tony et al., 2018). SMEs and entrepreneurship are key sources of dynamism, which play important roles in stimulating the vitality of a market (Karadag, 2015; Ochieng & Park, 2017; Wu & Parkvithee, 2017). Owing to their small investment and scale, SMEs are flexible in operations and they are easy and can rapidly adapt to the variable market (Ochieng & Park, 2017; Wu & Parkvithee, 2017). In another word, SMEs are more elastic to socio-economic changes than large firms (Ochieng & Park, 2017).

In China, SMEs are the foundation of national economy. SMEs have emerged as key economic actors in the country within the past 30 years, particularly due to a shift towards a more global business context and development in information technology (Karadag, 2015). Over 42 million SMEs exist in China (Salim, 2015), which represent 99.7 percent of all the enterprises (Yang & Xin, 2014). The workforce in the SME segment is around 75 percent of total employment in urban areas and towns (Salim, 2015). Moreover, SMEs contribute 60 percent of China's GDP, and are responsible for 68 percent of its exports (Salim, 2015). Additionally, SMEs supply 65 percent of the patents, facilitate 75 percent of the technology innovation, and participate in 80 percent of the new product development in China (Yang & Xin, 2014). Furthermore, most of the SMEs not only provide consumption goods and services directly, but also offer raw materials, accessories, and supporting services for established enterprises (Kumar & Rao, 2015; Yang & Xin, 2014). SMEs are often more innovative than large enterprises and considered to follow niche strategies, while adopting strategies and philosophies of high product quality, flexibility, and responsiveness to customer needs as means of competing with larger enterprises (Karadag, 2015; Wu & Parkvithee, 2017; Yang & Xin, 2014).

Using basic econometric model based on ordinary least squares, Ochieng and Park (2017) investigated how firm age, size, and ownership were related with job creation and destruction, as well as how these patterns differed across developed economies and developing economies. Ochieng and Park found robust evidence showing that at gross level, SMEs outperformed large firms. Ochieng and Park also found a heterogeneity in the job creation patterns among firms in developed economies and developing economies, and relative to large firms, SMEs had exhibited superior job creation rates, which were primary vehicles for eliminating poverty. Due to SMEs absorbed much of unskilled labor, the sector could also be a powerful tool for growth with redistribution (Ochieng & Park, 2017).

By focusing on identifying core competencies in SMEs in China with reference to those in Tanzania through observing the existing association among SMEs in the two countries and assessing core competencies to SMEs in terms of management, technical, and capability perspectives as variables, Salim (2015) suggested in China, SMEs were having increasing significance to the economy. China has many SMEs that entrepreneurs established them on individual endeavor while in turn contribute to the rural collective economy (Salim, 2015). Salim (2015) also argued the SMEs in China had managed to build up a high brand image globally since the SMEs' products could meet the market demand culminating into high-level customer satisfaction, attributed to innovation; the SMEs further enhanced the brand image by effective product packaging and marketing with the help of ecommerce. The SMEs in China have also incorporated the concept of specialization in the production process (Salim, 2015). The management teams of the

SMEs in China have fostered a culture of ensuring superior customer service (Salim, 2015). As compared with their referred SMEs in Tanzania, SMEs in China have developed high core competencies, and the technological environment has also supported the development of the core competencies in China's SMEs to a large extent (Salim, 2015).

Kumar and Rao (2015) deepened the SME study by formulating a framework based on a review of the literature on the determining factors of the SME capital structure and studies related to SME financing. Kumar and Rao (2015) argued SMEs were the key drivers of growth, development, and trade in China due to both economic and social factors, thus contribute positively to the economy. SMEs also provided a back-up to the larger enterprises and can simultaneously accelerated the growth of a country (Kumar & Rao, 2015). SMEs have also been instrumental in creating a blue ocean market and thereby providing a platform for carrying out large entrepreneurial activities (Kumar & Rao, 2015).

Wang et al. (2015) conducted a survey of SMEs based in Beijing, China, and utilized a sample of 384 SMEs owners who had applied for external finance in Beijing, to investigate the characteristics of firms against the amount of external finance sought, the amount received, and the proportion of external finance received from the sought finance. Wang et al. (2015) found that in China, SMEs are an engine of economic growth, job creation, and greater prosperity, and the innovative capability of SMEs is an important driver of sustainable competitive advantage. In addition, Chinese government had recognized that a vibrant SME sector has become central to the expansion and stability of the national economy; therefore, policy towards SMEs has increased in line with the growing importance of SMEs to the Chinese economy (Wang et al., 2015). Wang et al. (2015) indicated in the research that since the samples were from Beijing, researchers might extent the role out the research to other parts of China.

Knorringa and Nadvi (2016) assessed evidence on small firm clusters in Brazil, China, India, the so-called “rising powers”, and explored the significance of small firm clusters as critical sites of industrial competitiveness. SME clusters proliferated in Brazil, China and India, often in sectors where these countries have experienced growing international competitiveness, and cluster promotion was a core element of national industrial policy in some of these countries (Knorringa & Nadvi, 2016). SMEs tend to dominate most Chinese clusters and draw on a long-standing tradition of local manufacturing skills, specialized capabilities, and tacit artisanal knowledge, a history that often predated the Communist era. Knorringa and Nadvi (2016) suggested SME clustering is not only extensive it is also a significant element behind China’s phenomenal record of industrial competitiveness.

The economic development of China is still at the stage of transformation (Liu, 2015; Yang & Xin, 2014). Therefore, the whole environment for the development of SMEs is not very good in the country (Liu, 2015; Yang & Xin, 2014). Once the public limits SMEs’ access to financial capital, there is the likelihood that their contribution to economic growth will be very small (Aminu & Shariff, 2014).

SMEs’ Financing Difficulties

Financing is a challenge to success for any entrepreneur (Tony et al., 2018). Despite SMEs are the engine in driving the economy and society of most nations , their difficulties in having sufficient external financing, including bank loans and funding from the capital markets, have always been an issue (Banwo et al., 2017; Byrd, Ross, & Glackin, 2013; Haron & Ibrahim, 2016; Ilic, 2016; Li, 2015; Liu, 2015; Wu & Parkvithee, 2017; Yang & Xin, 2014). SMEs' weak capital and financing inability to resist risks caused enterprises to go bankrupt (Wu & Parkvithee, 2017).

SMEs' financing difficulty in China. Many of the SMEs rely heavily on internal financial resources to finance their business activities, since external capital often restrict them (Ayob et al., 2015). Ayob et al. (2015) also pointed out that before they gradually acquired external capital, SME owners chose to finance their business operations via retained earnings, particularly in developing countries (Ayob et al., 2015). As compared with the SOEs, established large enterprises, multinational corporations (MNCs), and SMEs in developed countries, SMEs in China even face greater difficulty in accessing to external financing (Eferakeya, 2014; Haron & Ibrahim, 2016; Ilic, 2016; Porumboiu, 2016). SMEs in China also often lack external financing support for early-stage investments (Scheela, Isidro, Jittrapanun, & Nguyen, 2015).

Micro-credit companies in China have non-technical stringent conditions and a better understanding of local SME businesses and financing dynamics, while these micro-credit companies charge high interest rates (Banwo et al., 2017). On the other hand, the VC industry can be a viable source of external financing for SMEs in China, but VC funds have become progressively harder to access as venture financing has gravitated towards PE funding of established firms (Mullineux, 2015). What is more important, many SME entrepreneurs and business leaders either fail to realize that VC plays a significant role in providing funding to SMEs in their growth and mature stages (Wilk, 2016; Wonglimpiyarat, 2015), which is also a particularly feasible source of financing for innovative start-ups and SMEs (Ahmed & Khan, 2016), or they lack awareness about the approachability towards potential sources of finance (Kumar & Rao, 2015).

As compared with both the SMEs in developed countries and larger companies in China, SMEs in China have greater difficulty in accessing external finance. As compared with developed countries, in China: (a) there is a lack of financial services, financing channels, and banks have fewer loanable funds that indicates their fewer incentives to search for profitable SMEs (Abe et al., 2015; Eferakeya, 2014; Liu, 2015; Yang & Xin, 2014); (b) the capital markets and regulatory frameworks are underdeveloped, and the financial systems are imperfect, which are dominated by banks (Haron & Ibrahim, 2016; Li, 2015); (c) the equity markets are underdeveloped and they do not recognize the potential growth opportunities of SMEs (Abe et al., 2015; Mullineux, 2015); (d) due to information asymmetry, the credit markets are inefficient, the credit system is deficient, and the loan application approval is retarded (Ayob et al., 2015; Haron & Ibrahim, 2016; Madrid-Guijarro, García-Pérez-de-Lema, & Auken, 2016; Mullineux, 2015; Yang & Xin, 2014); asymmetric information reduces the potential accuracy for banks to assess credit risk, resulting in adverse selection problems and poor monitoring efficiency (Madrid-Guijarro et al., 2016); (e) the credit rationing is imbalanced resulting from the fact that the economic development in China is still at the stage of transformation (Byrd et al., 2013; Li, 2015; Mullineux, 2015; Yang & Xin, 2014).

As compared with SOEs, MNCs, and larger enterprises: (a) SMEs in China lack of collateral due to limited fixed investment (Abe et al., 2015; Ayob et al., 2015; Eferakeya, 2014; Haron & Ibrahim, 2016; Liu, 2015; Yang & Xin, 2014); (b) most credit officers in China lack an in-depth understanding of the business cycles, financing needs, and solvency of SMEs, thus they are unwilling to approve financing for SMEs (Ayob et al., 2015; Banwo et al., 2017; Byrd et al., 2013; Liu, 2015); (c) SMEs lack credit worthiness resulting from insufficient loan documentation and financial track record (Byrd et al., 2013; Haron & Ibrahim, 2016; Liu, 2015; Wang et al., 2015); (d) SMEs are characterized by small asset scale and low total production (Haron & Ibrahim, 2016; Ilic, 2016); (e) SMEs generate lower profitability (Ayob et al., 2015; Liu, 2015; Yang & Xin, 2014); (f) commercial banks face higher financing costs to finance SMEs due to high interest debt, as compared to SOEs, MNCs, and larger firms, which ultimately affects the financing costs of SMEs (Liu, 2015); (g) commercial banks face higher transaction costs because they will require an extensive branch network with more staff in the credit monitoring process when dealing with SMEs (Abe et al., 2015); (h) the SME sector, which is based on R&D and innovation, presents high risk, high uncertainty or low predictableness, while banks lack risk assessment and management skills related to SME lending (Abe et al., 2015; Ayob et al., 2015; Byrd et al., 2013; Haron & Ibrahim, 2016; Hodges et al., 2015; Liu, 2015; Madrid-Guijarro et al., 2016; Wang et al., 2015; Wonglimpiyarat, 2015); (i) the unstable and ineffective stock market in China does not facilitate SMEs to raise capital until recently (Jin et al., 2015); (j) as for bond market with complicated financing procedures, the authorities who make the rule of annual scale regarding bond issues and other indices only guarantee companies with great reputation and capability (Liu, 2015; Yang & Xin, 2014).

By addressing the existent financing gap for SMEs and diagnosing the accessing to finance in the light of determinants of capital structure and sources of financing accessible and available to SMEs, Kumar and Rao (2015) also pointed out that one of the reasons for SMEs' inadequate financing support was because SMEs lack awareness about the approachability towards potential sources of finance. Centered on the problem of inadequate finance faced by SMEs, Kumar and Rao (2015) also argued this issue would affect the performance of SMEs and developed a framework for understanding the financing preferences of SMEs. Employing a different set of research population and sampling technique, Liu (2015) conducted an analysis with statistics aggregated from Statistical Communique of People's Republic of China and pointed out that another reason for SMEs' inadequate external financial resources was due to the outdated management style of SME owners and business leaders.

Following the signal theory, social capital theory, and the liability of newness perspective, Bewaji, Yang, and Yan (2015) drew on the data of 2,119 high technology and non-high technology firms from the Kauffman foundation survey, and conducted an analysis focused on the characteristics of entrepreneurs from three start-ups and SMEs. Bewaji et al. (2015) argued if an entrepreneur seemed too young, the person would be unlikely to receive loans from financial institutions, as people considered younger entrepreneurs more risk-taking. In another word, people consider age a sign of experience in the business world. Bewaiji et al. (2015) also suggested that education was another indicator of an entrepreneur's skills and knowledge, and thus impacted the likelihood of obtaining external financing. According to Bewaiji et al. (2015), education is positively associated with new products development, higher performance, successful entrepreneurship, and education level predisposes perception of intelligence and qualification of handling funds successfully. Furthermore, Bewaji et al. (2015) indicated prior entrepreneurial experience was also a determining factor, as a positive relationship exists between prior industry experience and greater sources of information.

Debating from a different perspective and exploring the reasons and the countermeasures of SMEs' external financing issue, Yang and Xin (2014) argued that since the current loan period was usually shorter than one year, bank loans were suitable for liquidity gap only, while SME owners need long-term loans for plan construction and technology reform. Lastly, SMEs also face the issue that finds the right type of external financing at an affordable cost (Abe et al., 2015).

SMEs' access to financial resources has been a subject of great interest to policy makers and researchers of both developed and developing economies, because of the pivotal and significant role of SMEs in growing the private sector and by extension the economies of nations around the world (Eferakeya, 2014; Karadag, 2015; Karadag & Akman, 2015). In China, since the reform of economic system and SOEs, SMEs have gradually become the leading engine of the economic growth of country and have played an important role in increasing employment and maintaining social stability, while their difficulties in having sufficient external financing, including bank loans and funding from capital market, have always been an issue (Banwo et al., 2017; Byrd et al., 2013; Haron & Ibrahim, 2016; Ilic, 2016; Li, 2015; Liu, 2015; Yang & Xin, 2014). Chinese government and society have started to concern SMEs' financing difficulties for realizing the goal of stable improvement and structure changing in China, especially after the 2008 financial crisis, when the SME owners in China were facing with great shortage both in external and internal demands (Yang & Xin, 2014). In addition, as SMEs in China have become the increasing focus of its industrial policy, debates on access to finance become common (Wang et al., 2015). Empirical evidence has shown that the expansion of access to finance may reduce prevailing poverty particularly in developing countries (Eferakeya, 2014).

Lack of external financing and SME development. During the growth and expansion, SMEs face a variety of problems, including financing, low capabilities, fragile structures, lack of technological know-how, capital issues, and institutional deficiencies that hinder their survival and business climate (Banwo et al., 2017). Among all these issues, financing fundamentally affects how businesses expand domestically and internationally, because financing has an impact on both resources acquisition and business operations of a firm (Smolarski & Kut, 2011). SMEs may use different financing methods, either internal financing for the initial stages like owner-manager's personal savings and retained profits, or external financing which can be from informal sources like family, friends, trade credit, VC, business angels (BAs), and formal sources such as banks, financial institutions, and securities markets (Kachlami & Yazdanfar, 2016).

The ability of a firm to raise external capital is an important capability (Fonseka et al., 2014), which has become essential for the survival and growth of SMEs (Ayob et al., 2015). Financial capability plays a vital role in integrating different firm capabilities, and a business owner utilizes financial capability to deal with competitive business activities through transformation, deployment, and direction of other resources and capabilities of the firm (Fonseka et al., 2014). Better access to external financing help stabilize employment, save labor turnover costs, and thereby add value to the firms (Yazdanfar & Öhman, 2015). For especially vulnerable SMEs, lack of access to financing can pose serious problems (Yazdanfar & Öhman, 2015). In China, the external financing capability of a firm affects its competitiveness within the industry and sustainability (Fonseka et al., 2014). A competitive business environment which facilitates access to finance is of great importance for the growth of SMEs (Kachlami & Yazdanfar, 2016).

Despite the important role in the economic development, most previous research identified that difficulty in access to financing had been determined as the major obstacle for the growth and development of SMEs (Kachlami & Yazdanfar, 2016; Kumar & Rao, 2015; Kumar & Rao, 2016; Li, 2015; Yang & Xin, 2014), especially for innovation-oriented SMEs (Madrid-Guijarro et al., 2016). On the other hand, Yazdanfar and Öhman (2015) suggested that some of the past studies had demonstrated that greater access to financial resources influenced capital structure of a firm, while other studies emphasized that financial pressure would influence employment levels of a firm (Yazdanfar & Öhman, 2015).

The financial constraints that faced by SMEs limit their investment opportunities (Yazdanfar & Öhman, 2015). SMEs need to employ financial resources to invest in different areas such as technology up-gradation, asset acquisition, new market development, and capacity expansion and diversification (Kumar & Rao, 2015; Kumar & Rao, 2016). New investments and financial capabilities enable or constrain the strategic decision-making abilities of entrepreneurs and business leaders (Fonseka et al., 2014). As financial resources of firm increase, so may its investment expenditures, leading to an increase in demand for its products, services, and labor (Yazdanfar & Öhman, 2015). SMEs also need sustainable financing to cater to their different needs throughout different stages or business cycles of a firm (Haron & Ibrahim, 2016). Likewise, Karadag (2015) indicated past studies had showed that the main causes of business failure of SMEs were lack of financial planning, limited access to funding, lack of capital, unplanned growth, low strategic and financial projection, excessive fixed-asset investment, and capital mismanagement.

Built on a literature review covering works specializing in innovation, financing constraints, and SME characteristics, Madrid-Guijarro et al. (2016) suggested that financial constrained firms are less likely to invest in innovation, and a broad consensus had highlighted firm investment in innovation can help it remain competitive, especially in a global market where information, new products, as well as services were widely available. However, uncertainty associated with the success achieved through investment in innovation can also create uncertainty about access to external financing (Madrid-Guijarro et al., 2016). Madrid-Guijarro et al. (2016) also argued that committing financial resources to innovation initiatives in difficult periods would be challenging; however, such investment would also offer significant opportunities to gain a competitive advantage in the market.

Therefore, during the growth and expansion of a firm, its strategy and performance depend on timing, accessibility, and effective and efficient use of its financial resources (Fonseka et al., 2014). Similarly, Aminu and Shariff (2014) and Huang (2014) both confirmed that firm performance depended on the its access to finance, market, and information; any business leader with inadequate or no access to financial resources was unable to pursue objectives and achieve performance. In brief, for entrepreneurs, the performance and entrepreneurial success of SMEs depend on the resources they have (Huang, 2014), their ability to generate and secure sustainable financial resources (Aminu & Shariff, 2014; Haron & Ibrahim, 2016), as well as their capacity to manage finance (Abe et al., 2015).

Using the Cox regression model to validate hypothesis and explore the effects of entrepreneurial resources on speed of entrepreneurial success, Huang (2014) argued that for entrepreneurs, their priority of entrepreneurial activities was to confirm and classify the owned and controllable resources. In general, the essential resources that are critical to enter an industry include financial resources, specialized, skills, knowledge, and social networks in the early times of entrepreneurial activity (Huang, 2014). Huang (2014) concluded a similar finding as the past literature, which suggested that entrepreneurial resources would influence entrepreneurial success or entrepreneurial performance.

Being concerned with understanding which types of firms sought most bank finance and which were most successful, Wang et al. (2015) utilized a sample of 384 SMEs that applied external finance in Beijing, China, to explore variations in firm-level characteristics by the amount of external finance sought, the amount of external finance received, and the ratio of "sought" to "received" external finance. Wang et al. (2015) suggested that in the political and academic debate, access to external finance was the major constraint to the growth and development of SMEs in China. Wang et al. (2015) concluded that SMEs' access to finance could further explain the relationship between firm performance or failure rate as well as role of finance (Wang et al., 2015).

Founded on the responses and evidence drawn from the World Bank data, Abe et al. (2015) proposed policy suggestions for the financing of SMEs in the Asia-Pacific region, and, discussed and highlighted the importance of effective finance. Effective finance is sustainable in that the funding of successful SMEs generates more capital for future SMEs, thereby creating a virtuous cycle (Abe et al., 2015). Abe et al. (2015) also pointed out enabling policymakers to assist SMEs in their search for financing would boost economic growth.

Beyond the perspectives above, by examining the financial constraints faced by SMEs in developing countries from the export behavior perspective, Ayob et al. (2015) argued that insufficient financial resources would emerge as a barrier, inhibiting SMEs from venturing into exporting. Focused the internationalization process, Hashim (2015) examined the factors that impeded SMEs and concluded that SMEs faced internal pressures that impeded them from expanding into the international market. These pressures include a lack of knowledge, limited financial ability, and being less innovative (Hashim, 2015).

The external financing is for the use of working capital of a firm (Haron & Ibrahim, 2016). Access to equity capital is important when a firm needs to finance cash flows resulting from payment delays, obtain bank guarantees, invest in capacity expansion and other developments, and provide cushioning during economic recession (Fonseka et al., 2014). Many SME owners in China indicate that access to external financial resources is vital, and one major obstacle to grow and expand their SMEs is the availability of sufficient intermediate and long-term capital to support working capital and fixed assets requirements (Abe et al., 2015; Banwo et al., 2017; Byrd et al., 2013; Haron & Ibrahim, 2016; Wang et al., 2015; Yang & Xin, 2014).

Feasible Source of External Financing for SMEs in China

Entrepreneurs' lack of appropriate financing to their businesses will vitiate their positive contributions to the development of an economy (Tony et al., 2018). Tony et al. (2018)'s study revealed the existing gap in entrepreneurial financing for the benefit of the populace and the economy, which is, the absence of long-term funding of equity type. VC can be a right type of capital source for SMEs in that venture capitalists can understand the market and effectively offer good planning as well as mentoring and advice (Tony et al., 2018).

Took both the RBV and an industry-based view and utilized 4,530 firm-year observations deriving from all listed manufacturing firms in the China Stock Market and Accounting Research, Fonseka et al. (2014) investigated the impact of different sources of external financing and internal financial capabilities on competitiveness and sustainability. Fonseka et al. (2014) contributed to the literature by demonstrating which sources of the financial capability a firm should develop to gain more advantage from competition within the industry and sustainability of a firm. Fonseka et al. (2014) argued that internal financing abilities of a firm do not offer a significant advantage, as compared with its external financing abilities. SMEs and start-ups possessing rich external financial resources equity capital during developmental periods enjoy many advantages, perform better, and exploit resources from rich market niches (Fonseka et al., 2014). Effective finance is sustainable in the sense that the funding of successful SMEs can generate more capital for future SMEs, thereby creating a virtuous cycle (Abe et al., 2015).

Based on the analysis of the current situation and problems posed by SMEs, Liu (2015) explored innovative financing strategies from the perspective of preferential policies, legal system, and financing institutions to optimize the financing environment. Liu (2015) concluded that SME owners and business leaders must concentrate on the financing strategies in their relevant financing environment to extend business scale though effective financing system. SMEs cannot simply copy other business practices in the financing process; rather, SMEs should combine with the specific financing conditions and requirements (Liu, 2015).

Capital markets financing is the second source of financing of SMEs, and there is still a large potential for these markets to play more significant role for SMEs activities and financial needs (Simeonov, 2015). VC as an alternative while viable source of financing, SME owners and business leaders shall better use and channel to bring the necessary results (Simeonov, 2015). The changes in the business environment, increasing competition, and the dynamic development of information and communication technologies tend to seek not only capital but also solutions to support the production, distribution and marketing of products (Wilk, 2016).

Venture capital as a source of external financing to support SME development. VC, as a special financial intermediation, is a private equity that invests institutional equity in the companies that have not yet reached market maturity or at expansion (Ilic, 2016; Scheela et al., 2015; Wilk, 2016; Yang & Wang, 2016), with big prospect of future success (Yang & Wang, 2016). VC arose in response to a perceived shortage of long-term financial resources, especially equity, among SMEs (Haro-de-Rosario et al., 2016). Scarlata et al. (2017) classified VCs into PhVCs and TVCs, whereby the primary goal of a TVC was to maximize the economic return of its investments, while a PhVC expects its portfolio companies to perform well in terms of both social and economic returns in addition to providing funding and value-added services to them (Scarlata et al., 2017). Based on capital providers of a firm, the types of VCs include state VCs, financial VCs, corporate VCs, and VC partnership (Hisrich et al., 2016). Venture capitalists are active investors in capital markets, because of their strong commitment to generate high returns in the medium term (Rusu & Toderascu, 2016).

VC is one of the most important financial resources for start-ups and businesses with high-growth potential in emerging economies (Dušátková et al., 2017), and it is an especially viable source of funding for innovative SMEs (Ahmed & Khan, 2016; Haro-de-Rosario, Caba-Pe´rez, & Cazorla-Papis, 2016; Dušátková et al., 2017; Hisrich et al., 2016; Wang & Wen, 2016; Wilk, 2016; Wonglimpiyarat, 2015). Since the inception of VC, venture capitalists have provided funding for young and high-growth potential SMEs and have played a vital role in supporting many companies that turn to be successful (D'Souza & Clarkin, 2014). The significant role of venture capitalists in shaping the entrepreneurial landscape is widely known and well documented (D'Souza & Clarkin, 2014).

When traditional financing modes are insufficient, or not available for high-risk business ventures due to their low predictability of business model and informational asymmetry of early-phase investment, VC funding fill a financial gap and can play a complimentary role in providing sustainable source of finance for new ventures (Adel, 2016; Ahmed & Khan, 2016; Ilic, 2016; Haro-de-Rosario et al., 2016; Kumar & Rao, 2015; Wonglimpiyarat & Khaemasunun, 2015). Unlike bank financing, which cannot provide an advantage for SMEs' competitiveness in the short term (Fonseka et al., 2014): (a) VC for SMEs offers flexibility engendered by stabilizing financial structure, as there is no or little short-term repayment; instead, SME owners can use the invested capital exclusively for the acceleration of their businesses (Adel, 2016); (b) VC can help prevent enterprises from excessive investments in free cash flows (Wang & Wen, 2016); (c) VC can increase short-term interest-bearing debt financing and external equity financing, easing the shortage of investment caused by the shortage of cash flow (Wang & Wen, 2016); (d) VC can restrain SME owners' adverse selection and moral hazard by means like phase-financing (Wang & Wen, 2016); (e) VC focuses on supporting innovative SMEs through providing monitoring and advice services as well as management assistance in addition to investment capital (Ilic, 2016; Rusu & Toderascu, 2016; (Scheela et al., 2015; Yang & Wang, 2016); (f) venture capitalists are sophisticated investors who have extensive knowledge of industries with previous managerial experience (Rusu & Toderascu, 2016); (g) venture capitalists contribute to enhance the contact network of the investees, institutional credibility and professionalism of the investee's management team (Cabral-Cardoso, Cortez, & Lopes, 2016); and (h) venture capitalists pay special attention to investment in the SMEs that do not have many employees at the beginning of their development (Hisrich et al., 2016).

Took both public and private nature of the VC industry, Haro-de-Rosario et al. (2016) suggested that in public VC funds, the priority goals are to establish companies, create job opportunities, and promote innovation, rather than focus exclusively on profits. By contrast, private VC funds usually invest in high-risk projects with potentially high profits (Haro-de-Rosario et al., 2016). By offering financial support, venture capitalists aim at equipping SMEs that face higher business risk with financial instruments, which will enable them to survive in the medium and long term (Haro-de-Rosario et al., 2016). Haro-de-Rosario et al. (2016) also demonstrated that there was usually a positive relationship between the level of a VC's participation and its level of control and guidance of the investee company. Regardless, despite venture capitalists usually monitor their investments closely, their share ownership does not involve a loss of control, because entrepreneurs continue to take management decisions (Haro-de-Rosario et al., 2016).

VC fund is comprised of two stakeholders, the business entrepreneur and the venture capitalist, and the aim of both shareholders is the development, success, and increasing the value of the company (Wilk, 2016). Therefore, in addition to providing financial management activities, venture capitalists, (a) actively follow up their investment and provide support services to management of the investee companies (Haro-de-Rosario et al., 2016; Hisrich et al., 2016; Wang & Wen, 2016; Yang & Wang, 2016); (b) have technical advisory responsibilities, which typically require high-level industry-specific expertise (D’Souza & Clarkin, 2014; Hisrich et al., 2016; Wang & Wen, 2016; Wilk, 2016); (c) give SMEs access to the contractor's experience and sustainable business network (Adel, 2016; Haro-de-Rosario et al., 2016; Hisrich et al., 2016; Wilk, 2016; Yang & Wang, 2016), enabling SMEs to withstand the fluctuations of economic cycles (Haro-de-Rosario et al., 2016); (d) bring in operational support (Ilic, 2016); (e) assist SMEs in improving corporate governance (Ilic, 2016); (f) helping SMEs implement growth strategies based on improved business plans (Ilic, 2016); (g) bring in external knowledge to SMEs that enables SMEs to better utilize resources, optimize products, and analyze market; good planning with external knowledge is especially important for SMEs’ entering new products and markets with innovative capability (Ilic, 2016; Yang & Wang, 2016); (h) supply an effective response to the major structural problems that characterize SMEs (Haro-de-Rosario et al., 2016); (i) facilitates access to the long-term credit market by reducing information asymmetry and due to venture capitalists' selection ability (Haro-de-Rosario et al., 2016; Ilic, 2016); (j) help enhance the image, credibility, and solidify investee companies by presenting on the investees' board of directors, with respect to third parties (Haro-de-Rosario et al., 2016); and (k) VC helps enhance the intrinsic value and foster the professionalization of SMEs and start-ups (Yang & Wang, 2016). Therefore, venture capitalists have been key players in development and growth companies and projects, particularly those based on knowledge-oriented technologies, and therefore, an essential source and an important factor of modern growth (Adel, 2016).

Based on the belief that financial opportunities existed for SMEs that beside money could bring knowledge to SMEs, Ilic (2016) analyzed dynamics of entrepreneurial finance with links to the real economy, and demonstrated that venture capitalists could increase the chances for survival of SMEs and reduce risk in early-stage investing: (a) VCs engage in investment management and running, which implies knowledge transfer and formation of entrepreneurial abilities; (b) VCs can improve SMEs' business plan and assist in validations, which enables optimal use of financial and human resources in economy with reduced failure rates; (c) VCs can reduce informational asymmetry in early investments and increase confident of later creditors and investors due to venture capitalists' selection ability (Ilic, 2016). VC is especially relevant to industries with bigger degree of technology and research requirements, given the fact that venture capitalists regularly analyze risk of certain investment in conjunction with economic environment risk, and venture capitalists can better evaluate projects of SMEs that banks do not analyze due to lack of experience and focus (Ilic, 2016). Ilic (2016) also argued that VC is efficient in countries where entrepreneurial culture with many business ideas exist. Furthermore, regions with more VC funds available have had significantly higher rates of SMEs funded, and this was not only attributable to VC financing itself, but also to better entrepreneurial culture and possibilities in certain regions (Ilic, 2016).

Wonglimpiyarat (2015) undertook a study on policy challenges in Beijing and Shanghai and indicated that in China, the sources of capital to support SMEs in the early stage were from seed funds, BAs, and VC financing, whereas commercial banks and stock markets play a significant role in providing finance in the growth and mature stages. Wonglimpiyarat also pointed out venture capitalists had provided an important source of business finance to support SME development in China. Since very small proportion of capital seems to be allocated to early-stage business ventures, the provision of risk capital by VC funds may be the most suitable form of external finance (Wonglimpiyarat, 2015).

Jin et al. (2015) studied the network of VC firms in China using the data from Chinese Growth Enterprise Market and Chinese Small and Medium Sized Market and suggested the development of the VC industry had substantial effects on regional economy in China. VC is a booster of the development of high technology industry; the involvement of VC promotes many high technology SMEs to grow (Jin et al., 2015). The Chinese government has attempted to promote the VC industry to fill the SME financing gap since the 1980s, and the VC industry in China has grown significantly since the late 1990s (Jin et al., 2015). Since 1999-2000, China has represented one of the fastest growing markets for VC investment in the world, and China continues to be a rapidly changing environment and its VC will continue to grow (Jin et al., 2015).

From the perspective of R&D investment, Wang and Wen (2016) argued that it was not enough to simply rely on their own capital and government subsidies; subsequent follow-up of social capital is a continuous power to promote R&D investment of enterprises (Wang & Wen, 2016). As professional institutional investors, venture capitalists chase high returns and prefer to SMEs which are carrying out technological innovation (Wang & Wen, 2016). More importantly, before investing in enterprises, venture capitalists hire professionals to investigate innovation projects comprehensively, who are more professional in market evaluation of innovation projects (Wang & Wen, 2016).

Policies also support further development of the VC industry in China. Since mid-1980s when Chinese central government began to initiate VC programs, favorable policies have stimulated the development of China's VC market (Yang & Wang, 2016). The Chinese authority established the Government-financed VC Funds in 1993 in Guangdong, Jiangsu, Zhejiang, and Shanghai together with the formation of University-backed VC Funds to provide university incubating services and encourage the process of technology commercialization (Wonglimpiyarat, 2015). To promote government policies conductive to the development of VC industry in China, the Chinese society established the China Venture Capital Association in 2002 (Wonglimpiyarat, 2015). From 2002 to 2014, the total amount of VC in mainland China increased year by year, with the average annual compound growth rate of 14.4 percent (Yang & Wang, 2016). The Ministry of

Finance has also eased the regulations regarding the capital requirements of international VC firms by lowering the capital requirement by USD10 million as well as easing stringent regulations of foreign VC structure (Wonglimpiyarat, 2015). VCs will play an increasing role in supporting high-tech and innovative Chinese SMEs in the future since the VC industry in China is still under developed (Wonglimpiyarat, 2015).

Contradicting with most other research findings and being not consistent with prior studies supporting the monitoring hypothesis, Yang and Wang (2016) argued for entrepreneurial firms, venture capitalists function more like a free-rider of initial public offering (IPO) rather than a mentor, who can provide efficient monitoring and value-adding services. In the research, Yang and Wang (2016) utilized and adjusted the panel data of listed companies on the SME Board in China during between 2001 and 2014 and got a total number of 680 listed firms as samples. Yang and Wang (2016) argued that the absence of monitoring effect was because under the underdeveloped economic and institutional environment with deficiencies in the legal system, Chinese venture capitalists had greater incentives to speculate in late stage or pre-IPO investments, seeking for the huge gains in the IPO market as soon as possible. When investees are at the late stage of development or a stage of going public, what concerns venture capitalists is no longer the growth potential of the investee firm but the likelihood of a successful IPO (Yang & Wang, 2016). In addition, the conflicts of goals and strategy policies may also cause negative effects on firm performance, which will be harmful for the long-term performance of entrepreneurial firms (Yang & Wang, 2016).

Through examining the current tax and legal environment for VC investments in emerging economies, Dušátková et al. (2017) argued that the regulation of legal fund structures should be a priority in particular, because it would affect the exercise of ownership title, the manner and scope of investor liability, the method of profit and loss distribution, the manner and extent to which venture capitalists could participate in the VC fund management, the liquidity and inheritability of shares, as well as the tax treatment at the levels of the VC fund and the venture capitalists. In addition, a well-developed local stock market is crucial for venture capitalists, because it is a channel how venture capitalists can arrange their exit through an IPO (Dušátková et al., 2017). Dušátková et al. argued that capital gain taxes would be essential for VC market development in a country, because taxation affected contracting between venture capitalists and entrepreneurs. Lastly, Dušátková et al. also contributed to the literature by adding the insight that a local VC market were likely to boost if public pension funds received the opportunity to invest a part of their inflow of funds onto the VC market.

SMEs’ Strategies to Attract VC investments

SMEs will generate internal finances and can get and repay external finances if they are the strategically capable (Aminu & Shariff, 2014). Formulating effective strategies are essential to any business, because strategies allow for achievement and maintaining competitive advantage (Aminu & Shariff, 2014). Strategic orientations lead to access to finance and access to finance increase firm performance (Aminu & Shariff, 2014).

Obtaining VC investments is different from applying for bank loans or other external sources of financing; venture capitalists are usually selective in deciding where to invest, they consider different investment criteria and emphasize different types of information (Rusu & Toderascu, 2016; Šimić, 2015). Many VCs assume an advisory role, providing valuable feedback and helping to shape the strategic decisions of the firms in which they invest, decisions made by VCs have far-reaching implications that extend beyond their industry (D’Souza & Clarkin, 2014). The availability of VC funding also depends on external factors, such as investor interest potential economy growth prospects (Ilic, 2016). It is a challenging and complex process for SME entrepreneurs to obtain VC investments, because there is no unique and universal filtering process set by venture capitalists (Šimić, 2015).

Liu (2015) explored the innovative financing strategies in the view point of preferential policies, legal system, and financing institutions to optimize the financing environment, and provided analysis of effective measures to upgrade the financing abilities to promote the sustainable development of SMEs. Liu (2015) argued instead of copying other business practices, SME owners and business leaders must concentrate the financing strategies in relevant financing environment and combine with the specific financing conditions and requirements. Aminu and Shariff (2014) also concluded that one prominent element that can improve SMEs abilities to accessing finance, and in turn increase performance and survival, are strategies implemented by the firm. Adaptability and effective strategy are cornerstones of most successful entrepreneurial ventures (D’Souza & Clarkin, 2014).

Attracting venture capitalists. Venture capitalists receive many investment proposals to review before they choose which to invest (Dattani & Patel, 2017). A venture capitalist's success in selecting the best investment proposal depends on the investment professional's evaluating process of investment proposal and the decision-making style (Dattani & Patel, 2017). Meanwhile, whether an entrepreneur can obtain VC investments may depend on if the person is able to appeal to VC investors (Adomdza et al., 2016). Recent research suggests that entrepreneurs who strike investors as well prepared are more persuasive (Adomdza et al., 2016). Adomdza et al. (2016) suggested cognitive bias affected both persuasive attempts and outcomes.

Venture capitalists are not generalists; the specialization of VC firms is among the most important guiding factors in their investment decisions and each VC firm consciously maps the domain of the potential new deal with its own specialized domain (Joshi & Subrahmanya, 2015). Some VC fund managers may also prefer to invest in information technology, high tech industry, modern technology, bio-tech, but also engage in more traditional industries (Wilk, 2016). In addition, VC fund managers may restrict their activities to the area of the country in which they operate, and some VC funds may omit the consideration of projects which are in very early stages of development (Wilk, 2016).

Banks, VCs, and BAs make a funding decision by taking different investment criteria into account and emphasize different types of information (Franic, 2014; Šimić, 2015). Venture capitalists conduct significantly more due diligence than business angels (Franic, 2014). Different types of investors also have different goals they expect to achieve (Šimić, 2015). SME entrepreneurs looking for external financing should be aware that the preparation of a business plan differs depending on the category of potential funders or capital suppliers (Šimić, 2015). For SME entrepreneurs who seek VC financing, a better understanding of the strategy or investment criteria of venture capitalists as well as the context in which they operate should enable a more meaningful and effective search for capital (D'Souza & Clarkin, 2014). Finding a high-quality VC investor also requires an earlier analysis of the market for VC funds (Wilk, 2016).

Despite many research studies focused on VC investments, there is still no universal answer to what the key investment criteria for venture capitalists are (Šimić, 2015). Most research has shown that in a changing environment, each business proposal goes through multiple phases of assessment, whereby venture capitalists consider, from entrepreneurial characteristics: (a) Experience of the entrepreneur and management team (Cabral-Cardoso et al., 2016; Dattani & Patel, 2017; Joshi & Subrahmanya, 2015; Wilk, 2016), (b) attractiveness and competitiveness of the products and services over those of competitors (Dattani & Patel, 2017; Wilk, 2016), (c) characteristics of the market and percentage of market share (Wilk, 2016), (d) competition or rate of growth compared to peer companies (Wilk, 2016), (e) business model and strategy, (f) financial information, (g) investment in human capital, (h) clear exit channel, (i) deal, (j) risk, (k) monitoring and administration costs (Dattani & Patel, 2017), (l) business plan credibility, (m) a demonstrated track record of setting up successful start-ups in the past (Joshi & Subrahmanya, 2015), (n) technological handicap (Adel, 2016; Ballinger, Habegger, Jones, & Thompson, 2016; D'Souza & Clarkin, 2014; Keppler, Olaru, & Marin, 2015;

Šimić, 2015; Wilk, 2016), (o) expected internal rate of return or potential for capital appreciation (Dattani & Patel, 2017), (p) whether the investee would require follow-up investments (Dattani & Patel, 2017), (q) capability and potential for business innovation (Wang et al., 2015), (r) the ability of the entrepreneurs or business leaders to successfully implement the business plan (Wilk, 2016), (s) a fair mix of technical and business education (Joshi & Subrahmanya, 2015), and (t) entrepreneurs' and business leaders' awareness of the VC process (Cabral-Cardoso et al., 2016; D'Souza & Clarkin, 2014).

From the characteristics of VC firms, venture capitalists consider: (a) Whether the potential new deal is in their own specialized domain (Joshi & Subrahmanya, 2015); (b) if syndication or co-investing with other VC firms is available (Joshi & Subrahmanya, 2015); (c) geographical distance between the VC and the investee firm (Joshi & Subrahmanya, 2015); and (d) synergies between the proposed venture and the existing portfolio of VC investments (D'Souza & Clarkin, 2014; Joshi & Subrahmanya, 2015).

From the perspectives of external macro environment and government policies, venture capitalists consider: (a) Finance or tax benefits in financing the investment (Dattani & Patel, 2017); (b) expectations about the current and the future macroeconomic environment (D'Souza & Clarkin, 2014; Joshi & Subrahmanya, 2015); (c) market consumer trends; and (d) technology (D'Souza & Clarkin, 2014) and whether the investee is in a sector or industry where technology is the key competitive factor (Rojas & Huergo, 2016).

Researchers have also categorized a set of venture capitalists' investment criteria specific to SMEs' stage, geography, industry, and size of investment (Keppler et al., 2015). Venture capitalists check these criteria at the very beginning of the evaluation process (Keppler et al., 2015). VC funds operate in dynamic and highly uncertain environments (Franic, 2014). Under such conditions, venture capitalists often exert their capacities for information processing, which includes high levels of emotion over short periods of time, causing them to make decisions more intuitively using previously learned responses (Franic, 2014). It is important to note that the venture capitalists' investment criteria are dynamic and change over time, and that initial rejection follows a reevaluation as circumstances evolve (D'Souza & Clarkin, 2014). Such change may be also due to many economic changes (Dattani & Patel, 2017).

Šimić (2015) started the research with the literature review of investment criteria set by venture capitalists, identified and analyzed the most used investment criteria for VCs, and aimed for providing a new set of VC investment criteria. Šimić (2015) suggested to increase the chances of attracting VC investment, SME entrepreneurs must know VC financing well and should be investment ready, whereby "investment ready" means entrepreneurs should be aware what conditions they must meet at which stage of negotiations, primarily in the first stage. Šimić (2015) proposed a new set of VC investment criteria, which relate primarily to: a) the willingness of entrepreneurs to renounce ownership, b) readiness to change the management, c) readiness for dialogue, d) readiness for the achievement of set goals, e) the VCs' intuition and "gut feeling", and f) personal sympathy for the management (Šimić, 2015).

Hisrich et al. (2016) suggested that VCs had indicated interest in certain types of new ventures, especially those with high growth potential and significant cash out. Rusu and Toderascu (2016) indicated the sectors that had attracted investments from VCs are the most innovative ones, including communications, computer and consumer electronics, and consumer goods and retail. Wonglimpiyarat (2015) also concluded most of the VC investments are in the sectors of internet, clean technology, electronics and optoelectronic equipment, telecom, and value-added services.

Jin et al. (2015) computed and analyzed the statistical properties of the network parameters of VC firms in China utilizing the data from Chinese Growth Enterprise Market and Chinese Small and Medium Sized Market. Jin et al. determined a relation between network parameters and major regional economic indices in China. Jin et al. pointed out that in China, people place a large emphasis on maintaining connections and networking, under which harmony with and within organizations is frequently favored over information disclosure and shareholder rights.

Adomdza et al. (2016) studied the effects of cognitive biases, including entrepreneurial planning fallacy, optimism, and overconfidence, by entrepreneurs on obtain funding. Adomdza et al. contributed the literature in several aspects: (a) Adomdza et al. indicated that both planning fallacy and optimism had these differential effects on the probability of investor funding between strong-tie and weak-tie investors; this finding echoed Rusu and Toderascu (2016) in that a big problem with using VC financing in the emerging economies was the confidence of the business owner; (b) Adomdza et al.'s research revealed a previously unexplored positive impact of decision-making bias on business success and supported newer theories of informal finance; and (c) planning fallacy plays an important role in influencing investor funding, with strong-tie investors particularly susceptible (Adomdza et al., 2016).

Moritz, Block, and Lutz (2015) investigated the role of investor communication in equity-based crowdfunding and explored whether and how investor communication could reduce information asymmetries between investors and new ventures in equity-based funding, thereby facilitating investors' investment decisions. Moritz et al. (2015) found that investor communication was an important tool for convincing about the legitimacy and credibility of a venture, hence owners of the ventures would need to consider the impacts through third-party communication. In addition to explaining their business model, entrepreneurs and business leaders would need to focus on their media behavior and on presenting themselves as sympathetic and trustworthy (Moritz, Block, & Lutz, 2015). Moreover, reference statements from key suppliers, customers, and prior external equity investors would positively impact the communication results between entrepreneurs and equity investors (Moritz et al., 2015). Apart from that, entrepreneurs should be aware that a personal impression of the entrepreneurial team would matter and for potential VC investors, peer principal or superior principal endorsements could save them time and efforts in analyzing fundamental company data (Moritz et al., 2015).

Transition

Section 1 of the study included information relating to the research problem. The foundation and background of the study presented the basis for the phenomena of Chinese SMEs' financing difficulties which had seriously hindered their growth and development. The problem statement included a statement of the general business problem and the specific business problem, and the purpose statement included a rationale for the research method, design, and participating population and sample. The choice of a qualitative design was from three methods available. The primary conceptual framework that grounded the study was the RBV theory. A review of past literature assisted the presentation and justification of the research problem.

Section 2 of the study included the purpose of the study, described my role as a researcher in the data collection process and relationship with the topic. Section 2 included aspects of the research components consisting of participant recruitment, data collection, analysis, as well as the process used to support the validity and reliability of the conclusion of the study.

Section 2: The Project

The purpose of Section 2 is to describe the procedures, techniques, and methods used in this qualitative multiple case study. The aim of the study was to explore common and innovative strategies that SME entrepreneurs and business leaders could use in attracting VC investments. The qualitative case study was the most appropriate to answer the research question. This section includes the purpose statement, role of the researcher, participants, research method and design, population and sampling technique, ethical research, data collection technique, and data analysis. The section concludes with the discussion of the reliability and validity of the research instrument.

Purpose Statement

The purpose of this qualitative, multiple case study was to explore the strategies that SME entrepreneurs and business leaders in China could use to attract VC investments. The targeted population consisted of six entrepreneurs and 17 business leaders from the four selected SMEs based in China, who had either developed successful financing strategies to attract VC funding or successfully obtained VC funding. The implications for positive social change included the potential to enhance the capability of SME entrepreneurs and business leaders to obtain a feasible source of external financing to support the development and transformation of their businesses, which could improve the economic development and social stability of local communities.

Role of the Researcher

A researcher must be consciously aware of his or her role in the research process (Harvey, 2017). In a qualitative research, the role of a researcher is to engage in the screening of participants, conduct interviews, collect data, and draw conclusions on the findings of the study (Leedy & Ormrod, 2013). A qualitative researcher should apply transparency with participants regarding their role as a researcher (Dowse, van de Riet, & Keatinge, 2014). In conducting interviews and collecting data, a researcher's identity, experiences, and emotions will shape the ideas with which he or she enters interviews; therefore, the role of the researcher also involves creating a safe environment where the participants feel contained, secure, and comfortable to share intimate thoughts and difficult emotions about the research topic without feeling exposed in constructing their narratives (Harvey, 2017).

I was a senior executive of an SME specialized in investment management and financial services headquartered in Beijing, China, where I had gained professional insights in work with venture capitalists. I had experienced the phenomena of SME entrepreneurs and senior executives making efforts to attract strategic investors and world-class venture capitalists from each industry. I had also experienced the challenges of managing to retain existing VC investors. In this study, I was a researcher and interviewer; therefore, I did not intend to influence any research participant by asking leading questions. I did not select any firm that I had a business relationship with for interviews; being an observer ensured that I could disclose all data and observations as they occurred during interviews. Moore (2015) indicated that a qualified researcher will stress the socially constructed nature of reality, the intimate relationship between themselves and the research topic, and the situational constraints that shape inquiry. A good researcher has social responsibility and accountability to the research area (Alami, 2015), who acknowledges a researcher's position and responds appropriately (Dowse et al., 2014).

In a qualitative study, it is important for the researcher to build positive relationships with participants (Cousik, 2014). A researcher recognizes the fluidity and multilayered complexity of human experience (Moore, 2015). A researcher ensures that he or she can approach all of the study participants throughout the research process (Cousik, 2014). To gain and maintain trust with participants, a researcher must connect with participants, lower their anxiety, emphasize mutual respect, consider participants' schedule and culture, and adopt a supportive stance (Cousik, 2014; Moore, 2015). Dowse, van de Riet, and Keatinge (2014) argued that the role of researcher should also include developing a greater capacity for mindfulness and reflexibility.

Research ethics refers to the responsibility and care for the relationships on which the discovery and dissemination of knowledge depend, as well as the resonance between the conduction of research and the context in which the research takes place and/or has an effect (McLaughlin & Alfaro-Velcamp, 2015). A qualitative researcher needs to consider ethical responsibilities. Ethics includes the moral character of the researcher (Alami, 2015). A qualitative researcher must be ethically mindful not to harm the study participants; however, when emotional encounters between a researcher and the participants occur, the researcher needs to navigate any inherent ethical tensions (Harvey, 2017). The researcher should adopt regulations or guidelines concerning research ethics (Alami, 2015). The researcher should also inform the participants of the risks and potential consequences of participating the study, the confidentiality of the, and their right to withdraw from the study at any point (Alami, 2015). In the context of international research norms and practices, the 1979 Belmont Report remains important (McLaughlin & Alfaro-Velcamp, 2015). The Belmont Report protocol outlines the basic ethical principles for researchers to follow when conducting research involving human subjects. The principles ensure that a researcher meets participants' right to privacy and the treatment of the participants with dignity (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). As required by the Belmont Report, a researcher must ensure justice through attention to the significance of research purpose and through choices in the research design that generate rigorous findings without unduly burdening subjects (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). I followed the ethical guidelines of the protocol. I obtained approval from the institutional review board (IRB) before proceeding with data collection. The IRB approval # is 01-23-18-0617251.

In a qualitative research, missing data or poorly motivated participants may cause research bias (Van Horn, Zug, LaCombe, Velez-Liendo, & Paisley, 2014). A researcher needs to examine how biases may affect the data and implement means to mitigate bias (Orange, 2016). Minimizing bias in the qualitative research process requires a researcher to implement bracketing throughout data analysis, and bracketing allows for participant perspectives to be at the forefront (Blount, Taylor, Lambie, & Anwell, 2016). A researcher also establishes trustworthiness by bracketing researcher bias, implementing written epochs, triangulating data, implementing member checking, and providing a thick description of data (Blount et al., 2016). A researcher can also use a diary for research, which is like a self-administered questionnaire; one of the advantages of using a research diary is that it reduces contextual bias, because the researcher records data, events, and feelings in real time (Snowden, 2015). Furthermore, a researcher can use an external auditor to evaluate the overall themes and essence of the interviews to mitigate researcher bias (Blount et al., 2016). To mitigate bias in my research, I used bracketing, a diary for research, and the same set of predetermined interview questions, and I did not select a firm that I had a business relationship with (Yin, 2014).

A researcher uses a standardized interview protocol in in-depth interviews and focus group interviews to ensure that the researcher will provide participants with an opportunity to respond to an identical set of questions (Schulz & Enslin, 2014). To mitigate the potential for subjectivity and bias in individual settings and guide each in-depth interview, I used an in-depth interview protocol in this qualitative multiple case study, as advised by Schulz and Enslin (2014). An interview protocol is in an appendix (See Appendix A).

Participants

In a qualitative research, to obtain high quality data and achieve validity and trustworthiness of a study, a researcher should adopt credible procedures and establish participant eligibility to select appropriate research participants concerning the phenomenon of interest in the study (Karraa & McCaslin, 2015; Yin, 2014). A researcher can verify the trustworthiness of data collection in the research through descriptions of research participants, in addition to precise details of the sampling method (Elo et al., 2014). The eligibility criteria for selecting research partners in this study included (a) the

SMEs headquartered in China which have both entrepreneurs and management team, as opposed to “single-person show”; (b) the SMEs employing no more than 2,000 employees; (c) the SMEs with an annual turnover of business or business revenue of less than RMB 300 million; and (d) total assets of no more than RMB 400 million.

The eligibility criteria for selecting research participants in this study are valid, because the primary parameters that researchers and governments define Chinese SMEs that (a) have fewer employees than 2,000 (Wu & Parkvithee, 2017); (b) turnover of business of no greater than RMB 300 million (Wu & Parkvithee, 2017); (c) total assets of less than or equal to RMB 400 million (Wu & Parkvithee, 2017); and (d) capital investments, whereby less than RMB 100 million invested in plant and machinery (Abe et al., 2015). In this study, I chose to mitigate the eligibility criteria on business turnover and total assets and remove the capital investments criteria, because I found different criteria on annual business turnover and total assets for different major industries. I also chose to interview the SME research partners from nonmanufacturing industries. The revised eligibility criteria for research participants aligned with my overarching research question.

The first step in conducting the interviews was to create a list of eligible research participants from the SMEs in Beijing, China. I then contacted each participant and explained the purpose of the study, significance of the study to both society and business practice, as well as the risks involved in participating the study. I asked each of the participants if the individual had successfully obtained VC investments to support business growth in the past 5 years. If the participant said yes to my question and agreed to participate, I sent an e-mail to the participant containing the informed consent form with the interview questions. I obtained each participant's electronic signature on the form before conducting the interviews. Lin (2016) suggested that a researcher must recognize participants' entitlement to privacy and accord them their rights to confidentiality and anonymity. A researcher should also take situated ethics and cultural diversity into account (Lin, 2016).

An informed consent process facilitates a working relationship and partnership between a researcher and participants (Hart-Johnson, 2017). Hart-Johnson (2017) proposed strategies in establishing a good working relationship with participants: (a) use transparency, (b) employ flexibility, (c) avoid microaggressions, (d) refrain from claiming insider status, and (e) maintain access through ethical mindfulness. By ensuring transparency, participants can understand the context of the study, the level of disclosure they will receive, as well as the level of emotion they will be at risk of experiencing (Hart-Johnson, 2017). By employing flexibility, a researcher offers choices of interview location and comfort, using both handwritten format and computer-generated recruitment material on multiple platforms, making information accessible to participants with different access devices (Hart-Johnson, 2017). A researcher should avoid microaggressions, because one of the easiest ways to cause a participant to disengage or shut down during an interview is to inadvertently slight or insult him or her (Hart-Johnson, 2017). Research participants are intuitive; thus, researchers should refrain from emulating or assuming insider status, even if they are from the same cultural group (Hart-Johnson, 2017). Hart-Johnson found that researcher-participant relationship maintenance begins at the initial contact, and maintaining access to a participant depends upon the experiences of the participant encountered during the initial contact. It is important that a researcher inform participants in advance about the expectations of the study (Hart-Johnson, 2017). It is also important for the researcher to guard reactions to and impressions of the information exchanged between the researcher and participants (Hart-Johnson, 2017). Hart-Johnson also recommended that a researcher establish a climate of trust by reducing social acceptance bias through building a rapport with participants, thereby creating a safe space for the participants to share information. To neutralize the power differential, researchers should treat the interview as a conversation partner and subject experts (Hart-Johnson, 2017).

I had been working in the investment management and financial services industry for 9 years, so I easily gained access to the selected participants by leveraging my business network. During data collection process, a researcher's personality, skills, background, and the dynamics of participant organization influenced the access to research participants (Smith, 2012). Throughout the process interacting with participants, I had social responsibility and accountability to the field and participants. I was mindful of my role as well as the fluidity and multilayered complexity of human experience. I responded appropriately to all the participants.

Research Method and Design

Research Method

McCusker and Gunaydin (2015) indicated that research methods for addressing research questions include qualitative, quantitative, and mixed methods. A quantitative method was not appropriate for this study, as I neither aimed to measure anything nor did I seek to test hypotheses about the relationships or differences among variables. I did not focus on commonalities or statistical averages in this study. In a quantitative study, a researcher looks to test theories by examining the relationship among variables (Hong, Pluye, Bujold, & Maggy, 2017). A mixed method was not appropriate for this study either. In this study, I did not collect or integrate both quantitative and qualitative data. In a mixed research, a researcher collects, analyzes, and mixes both quantitative and qualitative data in a single study to understand the underlying research problem (Hong et al., 2017; Zhang & Watanabe-Galloway, 2014).

A qualitative research method was useful for this study, because I sought to understand aspects of social life and business phenomena, and I aimed to assess the attitudes, feelings, opinions, experiences, and behavior of the research participants that produce subjective data. In this study, I assumed that the interaction between people and their world could create knowledge. McCusker and Gunaydin (2015) argued that a qualitative method relates to understanding aspects of social life. A qualitative research method also relates to exploring business phenomena in terms of the meanings that people bring to them (Hong et al., 2017). A qualitative researchers is concerned with the opinions, experiences, and feelings of the individuals providing subjective data (Santha, Hongal, Saxena, & Tiwari, 2015). A qualitative method allows a researcher to use the experiences and perspectives of different individuals from organizations or phenomena (Mukhopadhyay & Gupta, 2014). In a qualitative research, a researcher's purpose is to construct a valid theory that guides knowledge development within a discipline (Santha et al., 2015). A qualitative researcher operates from an epistemological perspective, which assumes knowledge by the interaction between people and their world and adopts a foundationalist ontology based on positivism (Santha et al., 2015). A qualitative researcher includes subjective assessment of research participants' attitudes, opinions, and behavior in the study (Santha et al., 2015).

Research Design

A qualitative, multiple case study was the most appropriate research design for this study. I chose a multiple case study research design, because, in this study, I sought to explore organizational and individual experiences, situations, and activities, with the purpose of providing an in-depth and comprehensive study based on the qualitative data I collected from the research participants. In a case study, a researcher explores a bounded system from multiple perspectives, whereby the bounded system refers to a case that the researcher can differentiate from other cases (Kruth, 2015). The goal of a case study researcher is to provide an in-depth understanding of that case (Kruth, 2015; Santha et al., 2015). A qualitative case study is appropriate when a researcher looks to explore organizational and individual experiences, situations, and activities (Houghton et al., 2015).

Narrative research, grounded theory, phenomenology, and ethnography were not appropriate for this study. Researchers using narrative designs are interested in identifying and exploring participants' told stories or significant events, interpreting the social world of the participants in a sequential way and gaining a comprehensive understanding of phenomena (Joyce, 2015; Kruth, 2015). In a narrative research, the focus of a researcher is on a single individual or a group (Kruth, 2015). Phenomenology is used in the humanities, human sciences, and arts disciplines, with the goal of describing the meanings of participants' experiences and elucidating first-person experiences of phenomena (Kruth, 2015; Matua, 2015). Researchers consider phenomenological designs when they expect to conceptualize the processes and structures of people's mental life associated with phenomena (Matua, 2015). A researcher who employs a grounded theory research attempts to create a theory of an event, phenomenon, or experience by exploring the interviews with participants and coresearchers (Kruth, 2015). In a grounded theory research, a researcher uses the procedural structure to move from systematically collecting and analyzing data to producing a conceptual theory (Markey, Tilki, & Taylor, 2014). The focus of a grounded theory researcher is on creating a theory rather than describing an experience or exploring a specific case (Kruth, 2015). The goal of a grounded theory researcher is to discover the patterns of social behavior, understand how the research participants define their reality, and conceptualize how the participants resolve their main concerns (Markey et al., 2014). In an ethnographic study, a researcher describes how culture or subculture influences the behavior of a group (Draper, 2015). Cordoba-Pachon and Loureiro-Koechlin (2015) suggested that ethnography is about telling a story about what happens in a group's setting. In an ethnographic study, the researcher describes a shared cultural phenomenon experienced by a group that is exemplified by patterns of behavior or attitudes within a culture (Kruth, 2015). The focus of the researcher is on a group that shares a common culture, which is not only to groups united by a cultural heritage (Kruth, 2015). The researcher in an ethnographic study emphasizes there is no single objective truth or reality because none of human existence or practices are the same (Draper, 2015). I stopped reviewing here. Please go through the rest of your section and look for the patterns I pointed out to you. I will now look at Section 3.

I conducted and incorporated four case studies in this research. Kruth (2015) indicated in a multiple case study, a researcher aims at developing a detailed understanding of many similar cases by examining the cases from multiple perspectives. Researchers in the field suggested multiple case studies provide effective venues for qualitative researchers to observe and collect data (Olson, McAllister, Grinnell, Walters, & Appunn, 2016). By conducting and incorporating four case studies, I was also be able to check external validity. A researcher can ensure external validity by conducting a multiple case study or cross-case analysis, and by having four to ten case studies within one organization or across different organizations, the researcher can collect rich data for thoughtful theory development (Kruth, 2015). In this qualitative multiple case study, I was particularly interested in exploring the phenomena of strategies Chinese SME business leaders use to attract VC investments, and I assessed the experiences, behavior, opinions, and activities of six entrepreneurs and seventeen business leaders from the four selected SMEs based in China.

I ensured data saturation in this research by conducting case studies within the four selected SMEs in China and collecting unique and rich information from 23 data sources. I also sought permission and contacted the participants at least once a month until I finalize the research. Reaching data saturation means no new data, no new themes, no new coding, or ability to replicate the study (Fusch & Ness, 2015). Gentles, Charles, Ploeg, and McKibbon (2015) recommended choosing no-fewer-than four cases for a multiple case study and including over 20 units or data sources. Gentles et al. (2015) also proposed that a scientifically important criterion for determining sample size for a qualitative researcher was the intensity of the contact needed to gather sufficient data regarding a phenomenon or experience, from both the perspective of length of time an event to occur and the perspective of frequency the researcher contacts the participants for any changes in their answers (Gentles et al., 2015).

Population and Sampling

Gaining access to stigmatized populations using qualitative sampling requires a researcher to carefully apply planned strategies to avoid inadvertent slights to research participants, and best practices to encourage research participation (Hart-Johnson, 2017). A sound sampling and data saturation depends on an adequacy of data collection (Yin, 2014). Elo et al. (2014) pointed out through precise details of the sampling method, a researcher could verify the trustworthiness of their data collection. Types of sampling include convenience, purposeful, theoretical, selective, and snowballing (Elo et al., 2014).

The sampling method for this study was purposeful sampling. Purposeful sampling, also called judgmental, selective or subjective sampling, is a sampling strategy that allow a researcher to select a sampling frame that is most affected by his or her research question (Valerio et al., 2016). Purposeful sampling involves identifying and selecting individuals or groups of individuals with a phenomenon of interest (Palinkas et al., 2015). For this qualitative multiple case study, I chose purposeful sampling method, because I conducted in-depth interviews and I expected that each participant would provide me unique and rich information to my study. Setia (2016) discussed that a researcher used purposive sampling method mostly in qualitative studies such as in-depth interviews, whereby the researcher selects his or her research subjects purposively to answer the specific research questions. Suen, Huang, and Lee (2014) suggested that purposeful sampling would allow the researcher to select subjects based on purpose of the study with the hope that every participant would contribute unique and rich information to the research. Setia (2016) also concluded that a researcher would prefer purposive sampling when the researcher wanted to understand the research question in greater detail for one population rather than worry about the "generalizability" of the results.

In my qualitative multiple case study, I included six entrepreneurs and 17 business leaders from the four SMEs based in China, who participated in strategy development and successfully attracted VC investments in the past five years. By having 23 unique sources of evidence in my qualitative multiple case study and contacting participants once a month to understand the changes undergone, I achieved sufficient data collection and ensure data saturation. Gentles et al. (2015) recommended choosing no-fewer-than four cases for a multiple case study and including over 20 units or data sources. Moreover, by collecting unique and rich information from 23 data sources, I reached data saturation, as there existed no new themes, no new coding, or ability to replicate my research. The scientifically important criterion for determining sample size for a qualitative researcher is the intensity of the contact needed to gather sufficient data regarding a phenomenon or experience, from both length of time an event to occur and the frequency the researcher contacts the participants for any changes in their answers (Gentles et al., 2015). Some key characteristics of reaching data saturation are no new data, no new themes, no new coding, and ability to replicate the study (Fusch & Ness, 2015).

Ethical Research

Informed consent process is a process by which a participant voluntarily confirms the participant's willingness to participate in research, after the researcher has informed all relevant aspects of the study (Kelly, Spector, Cherkas, Prainsack, & Harris, 2015). The researcher should inform each participant that they should read and consider the statement before signing and dating the informed consent form (Gholam, Fink, Uhlmann, & Enk, 2015). I sent an email to each participant with the Informed Consent Form and indicated if they were interested in participating, they must reply to my emails with "I consent" as part of my study records.

Kelly et al. (2015) indicated that the perceived relationship between research participants and researchers plays an important role in shaping preferences regarding the consent process; therefore, consent procedures should express a form of "partnership, and a better understanding of participants' values and preferences, in turn, would enable the researcher to proceed his or her research process. Dowse et al. (2014) argued for transparency with participants regarding the role of the researcher.

I informed each participant that the participation was voluntary, and they might withdraw from the study at any time. I informed each participant the nature of this study, the purpose of this study, the procedures involved, the expected duration, the potential risks, consequences, benefits of participating the study, any discomfort it may entail, and the extent to which I would hold the results confidential. After each interview session, I reconfirmed with participants their consent to the use of the data. The more I understood how the participants formed expectations about the handling of their information and materials, and the control they wanted to exert, the better. As recommended by Gholam, Fink, Uhlmann, and Enk (2015), I provided each participant for the study an Informed Consent Form with comprehensive and sufficient relative information for each participant to make an informed decision about their participation in the study. I made sure I obtained the participants' consent before beginning each interview session. I provided no incentives for participating. I agreed to store the data securely for five years to protect confidentiality of the participants. I agreed to protect names of individuals and organizations to keep the participants and organizations confidential.

Data Collection Instruments

Data collection is the first stage in the research process, which is critical to a research. In the data collection for a qualitative research, a researcher systematically gathers data for a research purpose from various sources, including interviews, focus groups, observation, existing records, and electronic devices (Rimando et al., 2015). While it is important to note that in a qualitative research, the most useful instrument is the researcher himself (Castillo-Montoya, 2016).

Interviews are among the most common data collection instruments in dissemination and implementation research (Green et al., 2015). Interviews refer to face-to-face discussion, a researcher conducts individually or in a group, to elicit information from the participants about the research setting (Wan, Ip, & Cheng, 2016), while in an asynchronous email interview, a researcher and a participant repeatedly exchange information online within a particular time frame, while other participants of the study do not share the data from the asynchronous email interview (Ratislavová & Ratislav, 2014). The purpose of an interview is to determine what is in the participants' mind (Wan et al., 2016). Semistructured interviews are exploratory as compared with structured interviews (Green et al., 2015). A semistructured interview allows a researcher the flexibility of collecting data in a qualitative research and meanwhile provides more standardization than unstructured interviews (Green et al., 2015). An in-depth interview focuses on gathering rich and complex information (Wan et al., 2016). At the root of an in-depth interview is an interest in understanding the lived experiences of other people and the meaning they make of that experience (Castillo-Montoya, 2016); a researcher employing an individual in-depth interview expects to obtain a deeper understanding of commonalities and differences among groups of individuals who share important characteristics or experiences or to understand the perspectives of individuals at different points along a continuum of interest (Green et al., 2015). Key informant interviews can range from less organized conversations to semistructured interviews, a distinct nature of which is that key informant interviews a researcher conducts with individuals who have extensive and important information for the research and who well understand the research process (Green et al., 2015). In this qualitative multiple case study, my role as a researcher was the primary research instrument; I used face-to-face interviews as secondary data collection instruments; I reviewed academic and professional literature and existing public information and records from a database, Crunchbase, a data platform and venture partner network for community to discover industry trends, investments, and news about innovative companies all over the world, from startups to the Fortuna 1000 companies, for any supplemental data and cross-checking.

That how a researcher will use interviews is critical in data collection process, as the researcher may encounter challenges, which involve designing an interview guide, how to formulate questions for the participants, and staying focused on the research question during interviews (Rimando et al., 2015). To address these issues, a researcher can use an interview protocol, with which a researcher asks questions for specific information related to the purpose of his or her study (Castillo-Montoya, 2016). Castillo-Montoya (2016) suggested the four phases for systematically developing and refining an interview protocol (IPR) are: (a) ensuring interview questions align with research questions; (b) constructing an inquiry-based conversation; (c) receiving feedback on interview protocols, and (d) piloting the interview protocol. Each of these phases helps a researcher take one step further toward developing a research instrument appropriate for participants and congruent with the purpose of a study (Castillo-Montoya, 2016).

In the first phase, I ensured the alignment between my list of interview questions and my central research question. By ensuring this alignment, I made better use of the interview questions in the research process while ensuring their necessity for the study

(Castillo-Montoya, 2016). To check the alignment of questions, I created a matrix for mapping interview questions onto my central research question. The process of creating this matrix helped display whether any gaps existed in the interview questions and helped me observe participants (Castillo-Montoya, 2016). Once I had a sense of which of the list of interview questions were likely to address my research question, I marked them and put them as key interview questions in the final interview protocol.

In the second phase, I focused on constructing an inquiry-based conversation and composing interview questions different from how I would write my research question. I used my knowledge of contexts and every-day practices of the participants to write interview questions understandable and accessible to the participants. I also drafted a script as part of the interview protocol to support the development of an inquiry-based conversation. In a qualitative research, developing good interview questions requires creativity and insight, rather than a mechanical conversion of the research questions into an interview guide, and depends fundamentally on a researcher's understanding of the research setting (Castillo-Montoya, 2016).

The purpose of the third phase of the IPR was to enhance the reliability and trustworthiness of the research instrument. Castillo-Montoya (2016) suggested feedback can provide a researcher with the information about how well participants understand the interview questions and whether their understanding is close to what the researcher expects. I got feedback on my IPR by closely reading my interview protocol and by getting feedback from others on how they thought the questions would work.

In the last phase, I simulated the actual interview in as real conditions as possible to get a realistic sense of how long the interview would take and whether participants would be able to answer questions. I also took note of how I could improve and made final revisions to the IPR. Then I prepared to launch the final study.

The IPR framework is most suitable for refining structured and semistructured interviews, where a researcher can strengthen the reliability of an interview protocol in a qualitative research (Castillo-Montoya, 2016). By enhancing the reliability of my IPR, I increased the quality of the data I had collected from interviews. The IPR framework also provided me with a shared language for indicating the rigorous steps to develop interview protocols and ensure the congruency with my study. By following the IPR framework, I was more prepared to follow intuition and had a map in my mind of the sorts of questions that I should ask. The IPR framework also supports the evolving nature of a qualitative research, which often requires a researcher to be responsive to the data that emerge and calling for flexibility and openness to change (Castillo-Montoya, 2016).

After the initial interview, I performed follow-up member-checking interviews to discourse the interpretation of the participants' responses. The organizational data from Crunchbase also helped me in validating the respondents’ responses during the interviews. The IPR (see Appendix A) contains procedures for interviewing the six SME entrepreneurs and seventeen business leaders from the four selected SMEs in China.

Data Collection Technique

The nature of the study was a qualitative multiple case study. The central research question is what strategies SME entrepreneurs and business leaders in China use to attract

VC investments. As a researcher in a qualitative study, I was the primary data collection instrument. Bellamy, Ostini, Martini, and Kairuz (2016) suggested that one of the major characteristics of a generic qualitative study was using the researcher as the primary instrument of data collection and analysis. I employed face-to-face interviews as secondary data collection instruments. I aimed to collect data and information from participants from four SMEs in China, who had successfully obtained VC investments in the past five years. In addition, I leveraged evidence from existing public information and records from Crunchbase to supplement my data collection.

In a qualitative research, employing interviews as a data collection instrument is an effective way of obtaining uniquely relevant information from participants (Wan et al., 2016). The advantages of employing interviews as a data collection instrument include the ability to provide rich and detailed qualitative data for understanding the participants' experiences, how the participants describe their experiences, the meaning they make of the experiences (Castillo-Montoya, 2016), as well as the potential opportunities to establish rapport with participants and help a researcher explore and understand complex issues (Wan et al., 2016).

In a qualitative study, a researcher relies on face-to-face interviews when conducting semistructured interviews and in-depth interviews (Wan et al., 2016). Face-to-face interviews allow for a higher response and completing rate with the best-quality data, since the researcher can ask follow-up questions, which helps researchers gain a comprehensive understanding of the participants (Wan et al., 2016). The form of interviews has a place in all phases of a research, from formative and developmental assessments through implementation, process, and evaluative components (Green et al., 2015). A major disadvantage of face-to-face interviews relates to a researcher's bias and subjectivity, which may diminish the research results and cause great challenges to the researcher (Wan et al., 2016). A face-to-face interview is also a costly and time-consuming method compared with other data collection instruments (Wan et al., 2016).

Before interviewing participants face to face, I ensured that I had obtained appropriate informed consent form that contained a brief description of the study, procedures, benefits, privacy, risks of being in the study, and the right to decline at any point during the process. After receiving IRB approval, I started the data collection process with contacting the eligible participating candidates to schedule interviews after receiving the Informed Consent form. All the face-to-face interview sessions occurred in closed rooms to ensure the privacy of discussions and eliminate intrusion on non-participants. Each interview lasted less than one hour. I summarized my findings and had the participants review my interpretation of the findings for member checking. Member checking is the process of asking each participant to confirm or disconfirm individual voices and the interplay of voices composing the individuals' mathematics identity gleaned from the narratives (Simpson & Quigley, 2016). The process of member checking can potentially serve as a longitudinal study in which participants continually reflect on how they have or have not changed over a period (Simpson & Quigley, 2016). Therefore, using member checking in this qualitative multiple case study is vital, which enabled me to ensure consistency in the research results.

I sought permission at the end of each interview to contact the participants again for follow-up questions or clarifications before making necessary adjustments or corrections. Interview questions related to the strategies SME entrepreneurs and business leaders used to attract VC investments. I used the same interview questions for all the participants. Each participant was a case so preserving individuality was vital to ensure that I, as a researcher, had focused on participants' view instead of influence from the others. Data triangulation involved using multiple methods and data sources to develop a comprehensive understanding of phenomena (Bellamy et al., 2016; Carter, Bryant-Lukosuis, DiCenso, Blythe, & Neville, 2014), as well as testing validity through the convergence of information from different sources (Carter et al., 2014).

Data Organization Technique

Data analysis is the most complex and mysterious of all the phases of a qualitative research, while the aim is to rigorously and creatively organize data, find patterns, and elicit themes from data (Houghton et al., 2015). Organizing and coding data help a researcher successfully merge perceptions and cases to describe typical and composite patterns (Houghton et al., 2015). I used Microsoft Excel to track, store, and categorize research articles and journals. I transcribed audio recordings into Microsoft Word documents. The cataloging process included labeling electronic files and hardcopy files using designated codes for each research participant (Yin, 2014). I maintained all interview data in a confidential and secure location; I agreed to remain all data in a locked cabinet for five years. I indicated I would destroy the files after five years.

Data Analysis

A researcher gains an in-depth understanding of a phenomenon by identifying patterns and themes relating to participants' experiences in the process of data analysis (Leedy & Ormrod, 2013). Data analysis for case studies includes four types of triangulation, which are, data triangulation, investigator triangulation, theory triangulation, and methodological triangulation (Yin, 2014; Carter et al., 2014), whereby triangulation refers to that a researcher uses multiple methods or data sources to develop a comprehensive understanding of phenomena (Carter et al., 2014; Bellamy et al., 2016). Data analysis process starts with interview questions that set up the patterns and themes that emerged (Yin, 2014). Bellamy et al. (2016) suggested that one of the major characteristics of a generic qualitative study is using triangulating findings from field work. A qualitative researcher uses triangulation to test validity through the convergence of information from different sources (Carter et al., 2014). The appropriate data analysis process for this research design was methodological triangulation. Methodological triangulation allowed me to use multiple methods of data collection about the same phenomenon, including, face-to-face interviews, evidence retrieved from Crunchbase, as well as my own observation of market practice. Multiple data collection methods increase validity of research findings (Bellamy et al., 2016).

Data analysis in a qualitative content analysis involves a systematic coding process, which entails coding and identifying themes, categories, as well as patterns (Cho & Lee, 2014). As indicated by Abrams, McMillan, and Wetzel (2015), I adopted the following steps in the data analysis process: (a) developed and defined a priori start codes based on the review of academic and professional literature and the research questions; (b) applied the start codes through initial rounds of trial coding and refined using an iterative process; (c) transcribed interviews and organized data after each interview or collecting data from existing records and documentary evidence; (d) applied codes and analyzed with attention to the frequency as well as the extensiveness of views or ideas using a coding system; (e) segmented codes into themes; (f) presented my write-ups to the participants for validation and member checking; (g) revisited the purpose of the study, background of the study, research question, and explain and justify the interpretation of themes after interpreting the findings; and (h) wrote up final results. I was able to achieve data reduction by limiting the analysis to those aspects that were relevant to my research question (Cho & Lee, 2014).

I used thematic analysis as a data analysis method to identify and organize key themes. A researcher uses thematic analysis to identify structural nature of qualitative data, complex relationships, and conceptual links across participants' perceptions and experiences (Henderson & Baffour, 2015). Thematic analysis is a distinct act in that it allows a researcher to organize texts and codes to reflect structural conditions and socio-cultural contexts, as well as develop visual networks and conceptual links through careful deliberation of data at multiple levels (Henderson & Baffour, 2015). A researcher also uses thematic analysis to focus on key themes and correlate key themes with literature, whereby key themes will emerge from thematic analysis (Patterson, Emslie, Mason, Fergie, & Hilton, 2016).

Reliability and Validity

To ensure quality of research findings, a researcher should establish a reliability and validity of a study, the goal of which is to reduce biases (Yin, 2014). Establishing trustworthiness, regarding the concepts of validity and reliability is a crucial concern in ensuring the quality of a qualitative research (Ang et al., 2016). Reliability and validity are parallel concepts consisting of the four criteria, including: (a) credibility, (b) transferability, (c) dependability, and (d) confirmability, which researchers later expanded into an embedded set of five criteria, including: (a) credibility, (b) transferability, (c) dependability, (d) confirmability, and (e) authenticity (Ang et al., 2016). I used the strategies and techniques in the following discussion to ensure trustworthiness of the study.

Reliability

The goal of achieving reliability is to minimize errors and biases (Yin, 2014). Dependability is a process of examining whether the steps in the research process are logical, traceable, and documented (Cuthert & Moules, 2014). Dependability helps to establish trustworthiness of research findings (Cuthert & Moules, 2014). A researcher determines dependability through understanding how the researcher's own philosophy, values, and perspectives have influenced the research process and findings (Cuthert & Moules, 2014). I maintained an audit trail or inquiry audit as a strategy to enhance dependability or reliability, credibility or external validity, as well as confirmability or objectivity of this study (Ang et al., 2016). In this process, I could leverage an external auditor who had experience in qualitative research methods to examine data collection, analysis, and interpretation (Ang et al., 2016). Based on past literature, the audit strategy is a major strategy for establishing confirmability (Ang et al., 2016). Triangulation is another strategy used to establish three of the criteria, including: (a) dependability, (b) credibility, and (c) confirmability (Ang et al., 2016).

Member checking is a form of validation for a researcher to seek views of members on accuracy of data, descriptions, and interpretations (Simpson & Quigley, 2016). I used member checking in the final study; member checking helped ensure accurate interpretation of participant narratives and increased the reliability of findings (Theron, 2015). In the field of qualitative research, researchers consider member checking as a best practice (Simpson & Quigley, 2016).

Validity

To establish validity of a study, a researcher can ensure credibility, transferability, confirmability, and data saturation (Yin, 2014). To enhance the trustworthiness of research, a researcher can use criteria for measuring the quality of qualitative research methods in addition to specific criteria for each method (Cho & Lee, 2014). Furthermore, corrections are necessary to ensure reliability and validity of the data collected.

Credibility. Credibility involves evaluating the fit between data and research findings (Cuthert & Moules, 2014). Triangulation is a strategy to establish credibility (Ang et al., 2016), which involves using multiple methods and data sources to develop a comprehensive understanding of phenomena (Bellamy et al., 2016; Carter et al., 2014), as well as testing validity through the convergence of information from different sources. In a case study research, a researcher can use multiple sources of evidence as a tactic to triangulate data to address concerns with construct validity, because the multiple sources of evidence provide multiple measures of the same phenomenon (Ang et al., 2016). By using multiple data collection method, a researcher can explore a phenomenon and increase reliability and validation of findings (Carter et al., 2014).

Transferability. Transferability refers to the point where a researcher can transmit findings of a study to different settings (Elo et al., 2014). Future researchers and readers will find a study with transferability useful. The determination of transferability is based on how well the researchers describe research participants and the setting (Cuthert & Moules, 2014); therefore, to improve transferability, it is essential for a researcher to present a clear description of research participants, the context of findings, as well as the (Cuthert & Moules, 2014; Elo et al., 2014). Nevertheless, lack of transferability to different population is not a flaw of a research, as particular experience rather than general experience is central to qualitative research (Cuthert & Moules, 2014).

Confirmability. Confirmability informs readers that the research findings are not figments of the inquirers' imagination (Cuthert & Moules, 2014). Evaluating confirmability involves determining whether a researcher has grounded the findings in the data and whether it is clear how a researcher reaches conclusions and interpretations (Cuthert & Moules, 2014). Confirmability also depends on whether a researcher has established credibility, transferability, and dependability (Cuthert & Moules, 2014). Triangulation is also a strategy to effectively address and establish confirmability (Ang et al., 2016). I will use methodological triangulation to ensure conformability.

Data saturation. Some key characteristics of reaching data saturation include no new data, no new themes, no new coding, and ability to replicate the study (Fusch & Ness, 2015). Gentles et al. (2015) recommended choosing no-fewer-than four cases for a multiple case study and including over 20 units or data sources. In addition, a scientifically important criterion for determining sample size for a qualitative researcher is the intensity of the contact needed to gather sufficient data regarding a phenomenon or experience, which reflects both the length of time and the frequency researchers interact with participants (Gentles et al., 2015). In this study, I had sufficient data to ensure data saturation by collecting unique and rich information from 23 interviews and data sources. I also sought permission at the end of each interview to contact the participants again for follow-up questions or clarifications before making necessary adjustments or corrections.

Transition and Summary

Section 2 of the study included purpose statement, role of the researcher, participants, a discussion on ethical research, a presentation of research method and design, population and sampling, an introduction of data collection technique, data organization technique, and data analysis. The final element of Section 2 was the reliability and validity of the research findings. Section 3 focused on application to professional practice and implication for change, which included presentation of findings, recommendations for action, as well as recommendations for further research. The practical implication for SME entrepreneurs and business leaders was that it would be essential to develop strategies before approaching potential VC investors as well as what strategies would be most effective in their efforts to attract VC investments, with which, they could finance their business operations and support expansion, have monitoring and management advice, and achieve a long-term sustainable growth and revenue generation.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative, multiple case study was to explore the strategies used by SME entrepreneurs and business leaders to attract VC investments. Some SME business leaders in China lacked strategies to attract VC investments. I used semistructured, face-to-face interviews with open-ended questions to collect data. I also conducted member checking. I designed seven interview questions for the semistructured interviews; each session lasted less than 1 hour, and I audio recorded each interview. I also used method triangulation by leveraging Crunchbase and observations from market practice to supplement as well as validate the information that I derived from interview sessions.

Once I reached data saturation, I analyzed the qualitative data, managed and organized themes, and created themes that positively attributed to the success of SME entrepreneurs and business leaders in attracting VC investments. As a researcher, I was mindful of bias and deliberated on strategies to reduce these biases. I maintained a high ethical standard through honesty and professional competence. I later coded narrative segments into themes and presented my write-up to the participants to validate themes emerging from member checking. Lastly, I made a few adjustments to my interpretation of themes based upon remarks from participants to ensure accuracy and preceded to a final write-up of the findings of this study. Based on the methodological triangulation of the semistructured interviews and data from multimedia and public domain sources, I identified the emergent themes as the following: (a) developing a unique and pioneering business model, (b) assembling a management team with industry experience, (c) indicating use of raised capital to invest in technology, and (d) engaging with superior principal endorsements. The following are the results of the data analysis from research participants from the four SMEs.

Presentation of the Findings

The overarching research question that guided this study was the following: What strategies do SME entrepreneurs and business leaders in China use to attract VC investments? The population for this study comprised of entrepreneurs and business leaders of four SMEs based in China. Participants signed an informed consent form indicating their willingness to participate in the study. To protect names and keep participants confidential, I coded research partners as RP1, RP2, RP3, and RP4; research participants who were entrepreneurs as PO1, PO2, PO3, etc.; and research participants who were business leaders but not owners as PL1, PL2, PL3, etc.

Table 2

Overview of Research Partners

	RP1	RP2	RP3	RP4
Short Business Description	An online discount retailer for brands	A company providing an affordable means of shared transportation for convenient short urban trips	An online platform for peer-to-peer small unsecured loans	A photo-sharing app
Number of Employees	<2,000	<2,000	<2,000	<2,000
Annual Turnover of Business	<RMB300 million	<RMB300 million	<RMB300 million	<RMB300 million
Total Assets	<RMB400 million	<RMB400 million	<RMB400 million	<RMB400 million
Research Participants	PO1, PO2, PL1, PL2, PL3, PL4, PL5	PO3, PO4, PO5, PL6, PL7, PL8, PL9, PL10	PO6, PL11, PL12, PL13	PL14, PL15, PL16, PL17

I conducted face-to-face, semistructured interviews with participants. I used triangulation by including press releases and public databases, such as Crunchbase, to supplement my data collected through interviews and to strengthen the accuracy and credibility of data. The findings from this study extended the knowledge of studies in the literature review. The conceptual framework for this qualitative multiple case study was the RBV (Wernerfelt, 1984), which, along with its derivatives, has been applied in strategic management (Acar & Polin, 2015; Price & Stoica, 2015) and more recently in entrepreneurship (Price & Stoica, 2015).

Interview Question 2, along with other supplemental interview questions, generated four main themes. The four main themes identified through data analysis of participants' responses and data sources included the following: (a) developing a unique and pioneering business model, (b) assembling a management team with industry experience, (c) indicating use of raised capital to invest in technology, and (d) engaging with superior principal endorsements. These emergent themes seemed relevant in exploring strategies needed by SME entrepreneurs and business leaders to attract VC investments.

Table 3

Research Question, Emergent Themes, and Percentage of Participant References

Research Question: What strategies do SME entrepreneurs and business leaders in China use to attract VC investments?	Emergent Themes	% of participant references
Theme 1	Developing a unique and pioneering business model	100%
Theme 2	Assembling a management team with industry experience	75%
Theme 3	Indicating use of raised funds in investing technology	75%
Theme 4	Engaging with superior principal endorsements	50%

Theme 1: Developing a Unique and Pioneering Business Model

Research participants from RP1, RP2, RP3, and RP4, or all of the referenced sources, acknowledged that developing a business model with unique business opportunities and competitive advantages was a key factor in enabling them to obtain VC investments. As stated by PO1, a cofounder of RP1:

> We focus on online flash sales and we offer premier brand name clothing, accessories, cosmetics, and designer household items at discount in a limited time sales. We received capital investments from VC investors during both our Series A and Series B financing rounds. We are operating in a niche market in China with a very difference business model. We were the first and we are by far the

largest discount retailer in our field in China. With over 1.5 million members across China, we sell popular foreign and domestic brands directly to the fast growing middle-class in China.

PL1, chief operating officer at RP1, identified the factors of success in receiving VC investments and stated:

> Unlike the broad e-commerce companies in China, our revenue comes from selling apparels. This monetization model would be the first choice for partnering companies who needed to sell unsold inventory. In addition, selling apparels made us maintain a higher gross margin compared to other e-commerce companies in the Chinese onshore market. We provide a unique opportunity for brand partners who are looking to reach the increasingly affluent middle-class in China and serve as a distribution channel for out of season stock, which there was no shelf space in local Chinese stores. Considering such unique marketplace in China, an important while additional need for brands and distributors to work with credible online retail channels to reach their target audience exists.

PL4 stated, "I think we are towards addressing this and our partners also have gained valuable insight into Chinese consumer behavior to help grow brand awareness and customer loyalty." Vice president at RP1 supplemented,

> during our Series A financing round, we obtained a total of US$20 million from two global VC firms, and the lead VC investor shared with us that their team had been investing in growth-stage companies while late-stage was never their strength.

PL3 furthered, “the key reason that they were interested in investing in our company was because of our unique and pioneering business model with incredible market opportunities and potential among the middle-class consumers in the Chinese onshore market.”

PO3, one of the founders of RP2, stated “we began trial operations in Shanghai two and half years ago and we were the first company in the world to develop smart bike-sharing technology. We officially launched in Shanghai in April 2016.” PO4, another cofounder at RP2, acknowledged:

> Within just the first 10 months, we had grown to serving more than 10 million users across 21 cities, and at that time, people across China had taken more than 200 million rides on our shared bikes. This equates to a reduction in carbon emissions of hundreds of thousands of tons. Apart from that, our specially designed bikes are very durable and maintenance-free. We also equipped our shared bikes with GPS and proprietary smart-lock technology. This innovation allows for convenience to the greatest extent to our users.

PO5, a third cofounder of RP2, stated, “after reaching destination, users park the bike along the roadside and returns it to us by simply closing the lock, making the bike immediately available to other uses who are looking for shared bikes nearby.” PL6, head of international expansion at RP2, added, “another great thing is, leveraging our technology, we automatically calculate payment and deduct from users’ accounts with us.” PL7, VP of engineering at RP2, commented, “we received investments from venture capitalists during our Series A, Series B, and Series C financing rounds. Our VC investors appreciated our unique and pioneering business model. They also shared our confidence in the massive potential of our platform.” PL8, head of mobile engineering at RP2, stated:

> I was involved in all the communication with venture capitalists because of my function at the company. We received US$215 million and US$600 million during our Series D financing round and Series E financing round, respectively, from exactly the same VC investor. The VC investment team told me that they were excited to work with us to create even more exciting and seamless short-distance travel experiences for people in more geographic locations.

PL9, product design at RP2, added, “our application allows bike users to scan QR codes on our shared bikes, allowing users to unlock, use, and pay for rentals easily. VC investors love innovative and pioneering business ideas.” PO3 also mentioned,

> we plan to work with city planners, companies, and commuters to develop sustainable and smart transport solutions. Our VC investors were excited about our pioneering business model, as they could see that we had a clear and focused vision and a unique capacity to anticipate and quickly respond to the evolving needs of the consumer sector.

PL10, vice president at RP2, acknowledged, “our VC investors also consider is the scalability of our business model, which is, if there are enough people who are interested in scaling our business.” PO6, business owner of RP3, stated:

> We were the first and leading peer lending network and we match investors with creditworthy borrowers in China. In our first year of operation, we focused on

laying a foundation that would help borrowers and lenders get to know the concept of peer lending in China. We realized that we were able to provide a solution that had gained popularity as the global credit crisis worsened and left many borrowers with little alternative options for financing.

PL11, vice president of marketing at RP3, further explained,

Considering that a robust credit rating system for consumers did not exist in China, we decided to develop our own proprietary credit system to filter borrowers with potential good credit from bad ones. This system created a unique profile for each borrower and leverages other Chinese third-party platforms to accurately predict whether a borrower would be able to pay back a loan. According to our internal statistics, our credit rating system has helped us lower loan default rates.

PL12, CTO at RP3, added: “Our core value is to create a well customized credit scoring system for Chinese borrowers, and I believe this was one of the main reasons why our VC investors have been willing to invest in and work with us." PL13, CRO at RP3, stated:

We received US$4.6 million during Series A financing round and US$15 million during Series B financing round from venture capitalists. Our VC investors once shared with us that they found our unique opportunity appealing, which stands to benefit from the extraordinary sector growth in China. There were 298 million internet users in China at that time and an offline non-banking lending market was in the range of over RMB1 trillion per annum. We were the first to establish an

> efficient peer lending network, and we are geared to become a leading source of alternative funding for borrowers in China.

PL14, head of marketing at RP4, a company founded in 2011 that began as a destination for photo sharing on mobile, according Crunchbase, stated:

> The business has picked up 400 million users, but like other Chinese technology firms and even Western photo apps like Instagram, we have ventured into live-streaming with some success. We have reached 50 million daily users, with five million videos uploaded to our platform each day.

PL15, head of strategy at RP4, added, “we received US$350 million during our Series D financing round from one VC investor.” PL15 furthered, “3 years ago, the live streaming sector barely existed in China; our platform is popular now among the rural population in China and best known for bizarre videos. This unique characteristic attracted the VC investment team.” PL16, senior product director at RP4, added, “we are also unique to venture capitalists in that we use artificial intelligence (AI) to recommend and place videos into the scrolling feeds of users.”

This finding echoed Keppler et al. (2015) who claimed that among the main categories of the key investment criteria, venture capitalists preferred candidate companies with new and outstanding business models and strategies. This attribute implies recurring revenues to venture capitalists. SME entrepreneurs and business leaders looking for VC financing should be aware that the preparation of a business plan differs depending on the category of potential funders or capital suppliers (Šimić, 2015).

It is important for SME owners and business leaders to justify why the business is different and better than each of their peer companies, because venture capitalists are knowledgeable in the startup space. In addition, SME owners and business leaders should highlight the scalability of their business model based on market opportunity and convince potential VC investors with a compelling value proposition; given the high uncertainty associated with any VC investment deal, venture capitalists need evidence and confidence to believe that the market opportunity is sizable and the investee company will be able to generate substantial market opportunity at predictable pace. Moreover, to justify the high risk that VC investors will be taking with an SME, it is essential to offer a unique idea that can fill a void in the marketplace. To successfully attract venture capitalists, it is a must to identify all the factors that allow for developing a unique and pioneering business model to capture market opportunity.

Theme 2: Assembling a Management Team with Industry Experience

Research participants from RP1, RP3, and RP4, or 75% of the research participants I interviewed identified that having a management team with relevant industry experience being a top factor that made them successfully obtain funding from VC investors in the past five years. PO1 stated, “we specialize in online discount retailer for brands in China. I had over 18 years of experience in distributing consumer electronic products in both domestic and overseas markets prior to founding this company with my partner.” PO1 furthered, “I received an EMBA from a top business school in China. These entrepreneurial characteristics positively attributed to our successfully attracting VC investments during the funding rounds of both Series A and Series B, once our VC investors shared with us." PO2, who had served as the Vice Chairman of the Board of Directors since January 2011, according to Crunchbase, stated:

> I have over 13 years of experience in distributing consumer electronic products in overseas markets. I had served as Chairman of the Board of Directors of a French company engaging in the distribution of consumer electronic products since 1998. I graduated from Cheung Kong Graduate School of Business in 2010.
>
> Before I started this role at the company, I had over ten years of experience in the logistics industry in China, including experiences at two logistics technology companies. People familiar with us know that one uniqueness of our business model lies in our logistics. My previous experience significantly contributes to my function at the company, and our VC investors considered this a positive attribute.

PL3 also provided a background of his professional experience:

> Prior to join the company, I held CFO positions at several publicly traded Chinese companies. I received an MBA degree from Harvard Business School in 2003 and a Bachelor's Degree in International Economics from a top-tier university in China in 1993. Both of my industry experience and education background impressed our VC investors.

PO6 acknowledged:

> We aim to establish China's personal credit system with the evolution of the whole China microloan market and be able to evaluate every Chinese people's credit status. From my perspective, having successfully assembling a leadership team with relevant education and industry background was another key reason

> that our VC investors invested in us from Angel round to Series C round. As founder and CEO, I previously worked at Microsoft Global Technical Center and a software company in Shanghai. I graduated with a Master's Degree in Industrial Engineering and a Bachelor's Degree in Communication Engineering. I am also working towards receiving certification as a Financial Analyst.

PL12 stated:

> I graduated from a top-tier university in China in 2000 with major in Electronic Engineering. I worked over five years as a technology leader, security consulting, product development, and product support at Microsoft. Prior to join my current firm, I also founded a start-up, which was the first Chinese podcast directory site.

And finally, PL13 stated:

> I graduated from a top-tier university in China with a Bachelor's Degree in Engineering. Worked in a Chinese Bank at its SME Department, I witnessed its SME credit business from scratch, or the whole development process. I performed different important functions in the risk management process at the bank. I specialize in microfinance product design, risk pricing and management, credit rating and credit facility, operations process management.

According to Crunchbase, RP4 had been a photo-sharing application based in China since 2011, which attracted VC investments during its Series D financing. The founder pursued a Ph.D. at a top university in China and worked at Google and Baidu where he was responsible for technology R&D, including searching, algorithms, and system architecture. Apart from this, prior to start the company, he had set up two new ventures, according to information from Crunchbase. PL17 added, “from the perspective of VC investors of start-ups, entrepreneurial characteristics with relevant experience was important because they lack business indicators in the industry.”

In empirical research, Dattani and Patel (2017), Joshi and Subrahmanya (2015), and Wilk (2016) all concluded that venture capitalists would consider founder, founding team, and management team related attributes as a proxy of creditworthiness in validating a business and evaluate its business potential. Entrepreneurial attributes and characteristics of a management team can be especially critical in the context of high uncertainty, as they can serve an important role as uncertainty reduction mechanisms (Cabral-Cardoso et al., 2016). Entrepreneurial attributes also make up for those venture capitalists’ lack of networks (Joshi & Subrahmanya, 2015). A management team’s good mix of technical and business education also contribute to enhance the chance of securing VC funding.

Venture capitalists are a group of experienced investors who seek to build durable companies with sustainable value with a company, whose team has an excellent leadership and possesses leading technology in their industry. Very few SMEs have perfect products which also fit the market right away, so SME management team will need to make efforts towards exploring customer needs, polishing competitive factors, and striving for industry transformation. Given the high uncertainty associated with early-stage investing, venture capitalists need to have a high level of conviction that the team has the essential knowledge and skills and domain expertise to be able to evolve as fast as the industry does. Entrepreneurial attributes are not only signs about entrepreneurial skills to venture capitalists; venture capitalists expect to reduce their involvement in the new venture on a daily basis. Additionally, since the opportunity cost of VC resources is high, a management team with industry knowledge and experience is critical in making themselves attractive to venture capitalists.

The emergent theme revealed that having the right team is the most important factor in attracting VC investments. Therefore, to successfully attract VC financing, it is essential to construct and develop a management team with significant and strong experience that relates to the industry they are competing in. Founders and founding teams related attributes are even more important in start-ups given the lack of previous business indicators.

Theme 3: Indicating Use of Raised Capital to Invest in Technology

Research participants from RP2, RP3, and RP4, or 75% of the referenced sources acknowledged that indicating to potential VC investors that they would use the raised capital to invest in enhancing technology innovation and expanding technology capability convinced the VC investors to invest in their SMEs. PO3 acknowledged, “since we were the first station-less bike-sharing service in China, and the first company in the world to develop smart bike-sharing technology, technology and technology investments mean everything to us.” PO4 recalled,

> We were looking for US$600 million during our Series E round of financing. We specified clearly in our proposal to every potential VC investor that we would apply the new funding to investment in Internet-of-Things (IoT) and artificial intelligence (AI) technology to support our positioning and branding.

PL6 stated:

> In the earlier stage, we used our raised funding to invest in technology and developed our application to enable users to scan QR codes on our shared bikes, allowing for unlocking, using and paying for rentals on demand. This was a story line that we shared with every potential VC investor. During our Series E round financing, our lead VC investor for the round was very aware that we would use the investment proceeds to fund technology, to increase our production capacity, drive talent acquisitions and retention, as well as promote international growth.

PL7 explained, “one of the reasons that we quickly obtained VC investments during Series B was because of our priority to invest in IoT and AI, our VC investors also believed would make convenient and environmentally-friendly payment method available.” PL8 added, “we have also been exploring technology to make our employees more productive and proud of their jobs. When we shared this during casual conversation to our VC investors, they agreed and they considered this a value to them.”

RP3 is an online platform for peer-to-peer small unsecured loans in China, which builds a safe, high-performance, honest network platform with creative technology and ideals, according to Crunchbase. PL12 commented, “we utilized the investment proceeds from Angel round to develop credit scoring system and expand capacity on technology infrastructure, which was customized solutions driven.” PL13 stated:

> Our VC investors were looking to fund projects that were unique and other peer companies could not replicate or could not replicate within a short period of time. Our patented technology gave us breathing room and allow us time to gain

traction and market share in the industry.

PL16 acknowledged,

I pioneered in using algorithms for video recommendation features and user-friendly features in the industry. This enabled users to determine what was good content while limiting complicated application features. While this features also require significant investments and follow-up investments from external investors, particularly VC investors, who understand our business and would like to share our vision. PL17 stated:

> We received US$350 million during our Series D round of financing from one VC investor. We approached the VC investment professionals and explained to them that we will use the majority of the proceeds raised to finance our future outbound investments and deals, which will help expand our current technology capability in IoT and AI.

Wilk (2016) suggested most VC fund managers by nature would prefer to invest in information technology, high tech industry, modern technology, and bio-tech. For venture capitalists and BAs, information related to financial statements, particularly, use of raised capital, is very important (Šimić, 2015). Given the uncertainty associated with VC investment projects, for venture capitalists to justify the large risk they are taking with an SME, entrepreneurs and business leaders must be able to offer a fresh business idea with execution that can promise to fill a void in the marketplace, which SME management team can enable by improving technology and innovation. If managed well and executed right, SME owners and business leaders can re-energize companies marginalized by technology by jumping on the competitive advantage on the technology side. Venture capitalists look to allocate their limited financial resources to fund projects that the company team embed with unique features, which are not replicable; technology is the key for SME owners and business leaders. This emergent theme concludes that it is important for SME owners and business leaders to highlight to potential VC investors they would use the raised investment proceeds to invest in technology advancement and innovation.

Theme 4: Engaging with Superior Principal Endorsements

Research participants from RP1 and RP2, or 50% of the referenced sources, also added that sources of supplies, characteristics of their suppliers or business partners, as well as endorsement or reference statements from suppliers and business partners enabled them to successfully attract new VC investors. PL1 stated:

> With our business model and monetization model, we provided our suppliers and business partners great opportunities who needed to sell unsold inventory and who were looking to reach the increasingly affluent middle-class in China and serve as a distribution channel for out of season stock. In return of their appreciation, they recognized us, and we engaged them in most of the communication with the VC investors who invested in us. This added to our credibility and helped validate our business to the VC investors.

PL6 acknowledged:

> Our innovative and most convenient automatic payment method attracted many business partners who would like us to connect with their platforms to together

> provide even more user-driven solutions, which benefit all of us. They realized this would be a sustainable framework, so we asked them to provide endorsed reference statements in different forms. We also brought them with us when we approached and communicated with different venture capitalists. I think this increased our chance because when we lacked precise business forecast or indicators, third-party reference especially the group of people that we have been working with would count.

Endorsements through the investments of reputable VC investors, BAs, opinion leaders, and positive feedback from customers, suppliers or business partners are superior principal endorsements (Moritz et al., 2015). For venture capitalists to make sure the business is running efficiently, suppliers are very important (Cabral-Cardoso et al., 2016). Superior principal endorsements reduce the perceived information asymmetries of venture capitalists and decrease the importance of pseudo-personal communication to reduce the perceived information asymmetries (Moritz et al., 2015). Moritz et al. (2015) argued that VC investors tended to ignore or reevaluate their own private information if these endorsements are available. Superior principal endorsements influence the decision-making process of VC investors (Moritz et al., 2015).

Venture capitalists' investment behavior is a result of observational learning because it can reduce the probability of their resulting in capital loss. Not only hard facts but also soft facts about investee candidates are important for potential VC investors to reduce information asymmetries in their investments. Third parties who are familiar with the investee candidates affect venture capitalists by increasing their legitimacy when business ideas or strategies are fresh. Superior principals' behavior help convince venture capitalists' investment decisions. That superior principals' providing communication of soft facts about the investee candidates play an important role in venture capitalist' investment decision and is relevant for the decision. This is intuitive that SME owners and business leaders are more reliable and can appear more trustworthy by providing voluntary information about themselves; therefore, their fund-raising proposals can have a higher chance of receiving investments at reasonable or low price.

From this perspective, the number of accumulating business partners and the number of superior principals that would like to endorse for the investee candidates, especially in the early stages of funding process, are positive predictors for SME owners and business leaders in securing financing. Further, reputable companies work with the investee candidates who have established business or transaction platforms. This activity helps investors identify indicators for funding success. Superior principal endorsements effects are even more important given specific market conditions, such as high risk, uncertainty, and high information asymmetries associated with the investee projects, when quality disclosure can help them mitigate risks. This echoes my observation over the capital markets that investors follow other groups without considering facts or their own experience. This emergent theme concluded that SME entrepreneurs and business leaders should actively engage and involve key suppliers and business partners or superior principals in their communication with any potential VC investors.

Applications to Professional Practice

The findings from this study are relevant to improved business practice in that the study provides additional information on the strategies used by SME entrepreneurs and business leaders in successfully obtaining VC investments to finance its operations. The specific business problem was that some SME business leaders in China lack strategies to attract VC investments. SME owners and business leaders should develop successful strategic orientations in approaching venture capitalists, which could generate more finance (Aminu & Shariff, 2014). Strategies development can increase the chance of SMEs to secure investments and their difference in obtaining financing is due to enterprises' adopting distinct strategies (Fonseka et al., 2013).

The four main strategies that SME owners and business leaders can adopt according to the four emerging themes: (a) developing a unique and pioneering business model, (b) assembling a management team with industry experience, (c) indicating to use the raised capital to invest in technology, and (d) engaging with superior principal endorsements in their interaction with VC investors. A review of the professional and academic literature of the study showed that researchers had documented much evidence on the first two themes, while very few scholars had acknowledged the importance of the latter two main strategies in this space. The results of this study can provide SME owners and business leaders with information on how to successfully attract investments from VC markets, which improve the business success of their SMEs.

Implications for Social Change

The results from this study could benefit society by highlighting the strategies SME entrepreneurs and business leaders could use to attract VC investments to sustain their business growth. In China, SMEs and entrepreneurial activities have driven the social growth (Hassan & Mohamed, 2014), and a positive relation exists between the relative size of the SME sector and the growth of an economy (Tolba et al., 2015). VC has been a significant external source of financing for SMEs (Wonglimpiyarat & Khaemasunun, 2015). A greater understanding of how SME entrepreneurs and business leaders effectively attracted VC investments in the past could help the economic and social well-being of entrepreneurs and entrepreneurship (Wang et al., 2015); therefore, the findings of the study with the four recommended strategies that can improve the success of SME businesses could create a positive effect on the community and eventually increase the economic development of local communities and thus ensuring employment and social stability.

Recommendations for Action

I noted some recommendations for action for SME owners and business leaders as the findings of this study. Other individuals who should pay attention to the results of this study include entrepreneurs who need external financing for starting up or sustaining their businesses, and management consultants and other professional advisors that at a position to provide insights to their clients who are looking for optimal equity-based financing solutions. Some of the recommendations include developing a unique and pioneering business model, assembling a management team with industry experience, indicating the use of raised capital to invest technology, and engaging the communication with superior principal endorsement. In any case, it is becoming increasingly important for SME entrepreneurs and business leaders to really scrutinize the way in which they approach potential VC investors.

SME entrepreneurs should consider developing a unique and pioneering business model before approaching potential VC investors for fund raising. In the recent VC markets in China, valuations have made investment scenario tougher, and the investment community has become further prudent given the investor sentiment. Venture capitalist who actively look for deals examine and recheck the values of the prospects of a good business idea. It is important to have a unique and pioneering business model, and based on market opportunity at present and future, which is, the scalability, will make the company grow and generate profits. SME business leaders who possess the skills to present and make their business models explainable to potential VC investors are also a plus during the fund-raising efforts.

Another recommendation for action for SME owners and business leaders from the findings of this study include assembling a management team with industry experience and highlighting it during any communication and interaction with potential VC investors. Having a pioneering and defensible business model can attract VC investors, while another important part is constructing an experienced management team with sufficient knowledge who can successfully execute the business plan and carry business ideas to success. A team is the foundation of any successful organization, which is also the fixed point from which ideas and development originate; VC investors look for talented teams, as opposed to a single founder, to ensure that the business has the right players who have sufficient depth to take the business to the next level. Business plans, market opportunities, and challenges change from time to time, a team that can adapt together to cope with these are important for a business. From this perspective, a team who has a record of working together is also a plus. A perfect team supporting a business owner is exactly what convinces VC investors that the prospect is not a "one-man show," which mitigates key man risk. The SME ecosystem grows when there is adequate coordination between entrepreneurs, employees, and investors. Therefore, I recommend choosing the right leadership for SME owners, who may need VC financing at some point. I also recommend demonstrating to VC investors the unique unfair competitive advantage of the management team who can execute on the long-term vision better than the industry players.

It is intuitive that any investor wants to know what the prospect or investee plans to do with their capital. Unlike internal financing capital suppliers and traditional equity investors, most often only big and innovative things can motivate venture capitalists, since they by definition seek a potential for high rate of return. Among other use, technology typically enables a SME a period to further gain traction and market share, because cross-cutting technology speeds innovation in many areas, and so many live cases are out there that companies disrupt marketplaces through using technology. Technology investment to enhance technology capability of a SME indicates sufficient upside potential and high-quality ideas for VC investors to generate high returns. I recommend highlighting the use of capital from potential VC investors to invest in technology.

SME entrepreneurs and business leaders should engage endorsements and references from business partners and suppliers in approaching potential VC investors during the fund-raising process. In the due diligence and assessing the risks associated with a new business or innovative idea, reference statements and endorsements from prior and existing business partners, suppliers, or investors of the SMEs increase its credibility. I recommend SME owners and business leaders to actively and effectively engage with their superior principal endorsements.

Recommendations for Further Research

The purpose of this qualitative multiple case study was to explore strategies used by SME entrepreneurs and business leaders to attract VC investments. The findings from this study provide researchers with the foundation for future researchers in exploring other strategies that did not emerge from this study that SME entrepreneurs and business leaders could use to attract funding from external equity-based investors. SME owners and business leaders can also benefit from a further study on how to increase the amount of investments from existing VC investors who are familiar with the track record, operations, management style, growth potential, etc. of the investee's business. Moreover, as mentioned in the study, different types of VCs include PhVCs and TVCs, future researchers could investigate in detail how the two types of VCs exhibit different characteristics in their investment process and funding SMEs.

Participants in this study consisted of entrepreneurs and business leaders from four SMEs based in China, who successfully attracted investments from VC firms in the past five years. Future researchers may expand the geographical location outside China. A future research with more specific study locations in China and emerging economies and contextual information will also be beneficial, because data on SMEs in developing countries are not sufficient due to their transitory nature and short life cycle. It was evident during the data collection process that participants underestimated the effect of personal preferences that caused by geographic locations.

Reflections

In the process of completing this study, I experienced academic growth and gained a better understanding that it would be essential to develop strategies before fund-raising process, and how to attract VC investors for SME entrepreneurs and business leaders to fund their business operations and expansion. In my effort to mitigate personal bias or preconceived ideas and values I was mindful in every data collection and analysis process of the study of bias. Thus, I used interview protocol to stay on track and ensured that I treated each participant the same.

It was amazing to see how hard my research participants had been working to perseveringly innovate business ideas, search and broaden network of both business partners and investors, grow their businesses, as well as strive to make profits. The participants were passionate about what they were doing and willing to participate in the study and share their experiences on implementing strategies to obtain VC funding. After completing the study, I gained substantial insight into strategy development in external equity-based fund-raising process and what top strategies would work given the evidence collected. Findings from this study could provide SME owners and business leaders with additional information and advice on what strategies to develop to obtain investments from potential VC investors. The beneficial group of this study also included future entrepreneurs who are planning to start up their own businesses.

Conclusion

Some SME entrepreneurs and business leaders in China lack strategies needed to attract VC investments to sustain their businesses and support their business expansion or transformation. The purpose of this study was to explore strategies used by SME entrepreneurs and business leaders in China to attract VC investments. The primary conceptual framework for this study was the RBV. The data collection methods I used included semistructured interviews with open-ended questions and a review of evidence from public database which aggregates record of data on innovative companies in the world and venture partner network.

The four main emerging themes from data collection included (a) developing a unique and pioneering business model, (b) assembling a management team with industry experience, (c) indicating the use of raised capital to invest in technology, and (d) engaging with superior principal endorsements. The implications for positive social change included the potential to enhance the capability of SME entrepreneurs and business leaders to obtain VC funding to support the development and transformation of their businesses, which could increase the economic development and social stability of local communities in China. The findings from the study can contribute to SMEs' prosperity and benefit their owners, employees, future entrepreneurs, the local community, as well as economy of China. The findings from this study can also help existing and potential entrepreneurs and business leaders of the SMEs in China understand the importance of developing appropriate and innovative strategies to financing within the business.

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Appendix A: Interview Protocol

Interview: Exploring the strategies that SME entrepreneurs and business leaders use to attract VC investment.

1. I will start with greetings and a brief introduction.
2. I will thank each participant for accepting my invitation to participate in the interview.
3. I will ensure that participants have read and understood before signing the informed consent form.
4. I will inform participants that the interview will last no more than one hour, and the interviews will be audio recorded.
5. I will begin interviewing.
6. I will explain to each participant that as part of member checking, I will present my interpretation of the interviews to them for validation.
7. I will conclude the interview, stop audio recording, and thank each interviewee again for taking part in the interview.

Appendix B: Letter of Cooperation

<Community Research Partner Name>

<Contact Information>

<Date>

Dear Chenjiazi Zhong,

Based on my review of your research proposal, I give permission for you to conduct the study entitled Strategies that Chinese Small and Medium-Sized Enterprises Use to Attract Venture Capital. As part of this study, I authorize you to interview business owner(s) and leaders. Individuals' participation will be voluntary and at their own discretion.

We understand that our organization's responsibilities include providing contact information of potential participants and a conference room to conduct private interviews.

We reserve the right to withdraw from the study at any time if our circumstances change.

I understand that the student will not be naming our organization in the doctoral project report that is published in Proquest.

I confirm that I am authorized to approve research in this setting and that this plan complies with the organization's policies.

I understand that the data collected will remain entirely confidential and may not be provided to anyone outside of the student's supervising faculty/staff without permission from the Walden University IRB.

Sincerely,

<Authorization Official>

<Contact Information>

Appendix C: Protecting Human Research Participant Training Certificate

Certificate of Completion

The National Institutes of Health (NIH) Office of Extramural Research certifies that **Chenjiazi Zhong** successfully completed the NIH Web-based training course “Protecting Human Research Participants”.

Date of completion: 03/12/2016

Certification Number: 2030581

Appendix D: Interview Questions

1. At what point in your business cycle did you obtain VC investment?
2. What strategies did you use to attract VC investment?
3. What strategies did you use that were not successful in attracting VC investment?
4. How did you identify appropriate VC investors that were willing to work with you?
5. What were the major obstacles in obtaining VC investment?
6. How did you address the major obstacles in implementing your strategies for obtaining VC investment?
7. What were the other critical factors that we have not discussed but related to your obtaining VC investment?

Appendix E: Invitation to Participate in the Research

Dear Mr./Ms. XXX,

I am conducting interviews as part of a research study to provide insights and perspectives on strategies that small and medium-sized enterprise entrepreneurs and business leaders in China could use to attract venture capital (VC) investments. As an entrepreneurs/a business leader from [XXX company], you are in an ideal position to give valuable first-hand information from your own experience. The interview takes less than one hour. Your responses to the questions will be kept confidential.

There is no compensation for participating in this study; however, your participation will be valuable addition to my research and the findings could lead to greater public understanding for obtaining VC investments. If you are interested, please suggest a day and time that suits you and I will do my best to be available. If you have any questions, please do not hesitate to ask.

Thank you,

Chenjiazi Zhong