

**FACTORS INFLUENCING FIRM
PERFORMANCE AMONG TRADITIONAL
CHINESE MEDICINE IN CHINA: MEDIATING
AND MODERATING EFFECT OF
INTERNATIONALIZATION AND
GOVERNMENT SUPPORT**

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by

YUAN YILIANG

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APPENDIX A **SPSS OUTPUT**

APPENDIX B **QUESTIONNAIRE**

**FAKTOR YANG MEMPENGARUHI PRESTASI FIRMA PERUBATAN
TRADISIONAL CINA DI CHINA: KESAN MEDIASI DAN MODERASI
PENGANTARABANGSAAN DAN SOKONGAN KERAJAAN**

ABSTRAK

Dengan pendalaman ekonomi pasaran, industri terkemuka memainkan peranan yang semakin penting dalam pembangunan ekonomi negara. Sebagai industri terkemuka, perubatan tradisional Cina berada dalam keadaan tidak stabil sejak beberapa tahun kebelakangan ini, menghadapi masalah seperti pembangunan yang perlahan dan mufliis. Oleh itu, bagaimana untuk menggalakkan pembangunan prestasi PKS perubatan tradisional Cina dan memainkan sepenuhnya peranan PKS perubatan tradisional Cina dalam pembangunan negara merupakan masalah penting yang perlu diselesaikan dengan segera. Bakat (TA), keupayaan teknikal (TC) dan keupayaan pemasaran (MC) adalah masalah terbesar yang dihadapi oleh PKS perubatan tradisional Cina dalam proses pembangunan. Berdasarkan teori pandangan berasaskan sumber (RBV), TA, TC, dan MC secara amnya dianggap sebagai sumber yang mempengaruhi prestasi firma. Oleh itu, kajian ini menganggap TA, TC, dan MC sebagai pembolehubah bebas. Dengan perkembangan globalisasi ekonomi, pengantarabangsaan merupakan aset tidak ketara syarikat, yang boleh membawa lebih banyak sumber kepada syarikat, membolehkan syarikat memperuntukkan sumber dalaman yang lebih luas, dan menjadikan syarikat mempunyai daya saing antarabangsa yang lebih kukuh. Oleh itu, penyelidikan ini akan Pengantarabangsaan dianggap sebagai pembolehubah pengantara. Walau bagaimanapun, kedua-dua pembolehubah sokongan kerajaan dan pengantarabangsaan belum disahkan dalam penyelidikan mengenai prestasi PKS TCM. Oleh itu, untuk menyelesaikan masalah pembangunan prestasi PKS TCM, pembolehubah ini dimasukkan ke dalam rangka kerja, dan hasil penyelidikan adalah sangat penting kepada pembangunan PKS TCM. Soal selidik telah diedarkan kepada perusahaan perubatan Cina bersaiz kecil dan sederhana di Guangzhou. Oleh kerana sejumlah besar perusahaan kecil dan sederhana dalam perubatan Cina tradisional di Guangzhou, lokasi geografi adalah

unggul, yang meningkatkan kemudahan dan kebolehpercayaan soal selidik. Kajian ini mengedarkan soal selidik melalui tinjauan dalam talian dan menerima sebanyak 142 maklum balas. Model ini telah disahkan menggunakan teknik kuasa dua terkecil separa (PLS). Kajian ini dilakukan dengan menggunakan kaedah kajian kuantitatif. Keputusan menunjukkan bahawa TA dan MC mempunyai kesan sederhana positif terhadap prestasi PKS perubatan tradisional Cina, manakala TC tidak mempunyai kesan positif terhadap prestasi PKS perubatan tradisional Cina. Pengantarabangsaan memainkan peranan pengantara antara TA, TC dan prestasi firma, manakala sokongan kerajaan memainkan peranan penyederhana antara TA, MC dan pengantarabangsaan. Melalui analisis keputusan empirikal, kertas kerja ini akhirnya membuat kesimpulan kajian, dan mengemukakan langkah balas dan cadangan yang relevan untuk masalah yang didedahkan oleh hasil penyelidikan.

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ABSTRACT

With the deepening of the market economy, leading industries play a more critical role in developing a national economy. Traditional Chinese medicine as a top industry, traditional Chinese medicine has stagnated in recent years, facing slow development and bankruptcy problems. Therefore, how to promote the performance development of small and medium-sized enterprises of traditional Chinese medicine and give full play to the role of small and medium-sized enterprises of traditional Chinese medicine in national development is a significant problem to be solved urgently. Talent (TA), technical capability (TC), and marketing capability (MC) are the biggest problems faced by small and medium-sized enterprises of traditional Chinese medicine in the process of development. Based on the resource-based view (RBV) theory, TA, TC, and MC generally consider resources that affect enterprise performance. Therefore, TA, TC, and MC were independent variables in this study. With economic globalization, internationalization is the company's intangible asset, bringing more resources, making the company more extensive internal resource allocation, and having more substantial international competitiveness. Therefore, this study regards internationalization as an intermediary variable. However, previous studies have not found the relationship between these independent variables and internationalization. This study assumes that government support can strengthen the relationship between these variables and internationalization, so government support is used as a moderating variable. Relevant studies show that establishing cooperative relations between the government and enterprises and active support for enterprises will promote the internationalization process of small and medium-sized enterprises. However, the two variables of government support and internationalization have not been confirmed in the research on the performance of small and medium-sized

enterprises of traditional Chinese medicine. Therefore, to solve the performance development problem of small and medium-sized enterprises of traditional Chinese medicine, these variables are incorporated into the framework. The research results are significant to developing small and medium-sized enterprises of traditional Chinese medicine. The questionnaire was distributed to Guangzhou's small and medium-sized traditional Chinese medicine enterprises. Because there are many small and medium-sized enterprises of traditional Chinese medicine in Guangzhou and their geographical location is superior, the convenience and reliability of the questionnaire are increased. The study distributed a questionnaire through an online survey and received 142 responses. The model is verified by partial least squares (PLS) technology. This study was completed by quantitative research method. The results show that TA and MC have a positive regulatory effect on the performance of traditional Chinese medicine small and medium-sized enterprises. In contrast, TC has no positive impact on the performance of traditional Chinese medicine small and medium-sized enterprises. Internationalization plays an intermediary role between TA, TC, and enterprise performance, while government support plays a regulatory role between TA, MC, and internationalization. By analyzing the empirical results, this paper finally draws the research conclusions and puts forward relevant countermeasures and suggestions for the problems revealed by the research results.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter will discuss the research background, problem statement, research purpose, research problems, research significance, and research definitions. Under the research background, this study will explore the background of Chinese traditional medicine. The problem statement will discuss the problems to be solved in this study. The objectives and research problems will put forward the critical problems to be solved. Key definitions of key variables used in this study will be discussed. Finally, the organizational structure of this chapter will be introduced.

1.2 Background of Study

Since the mid-1980s, internationalization has been one of the important research topics in international business. From welfare organizations to business organizations, internationalization is very popular in all fields of life. Due to the concept of a global economy, international integration is an essential element of enterprise organizations. Every business organization seeks international recognition from large companies to small and medium-sized enterprises. The nationalization of enterprise organizations has attracted extensive attention. Almost all countries in the world have gained vitality and advantages through internationalization. Internationalization is of great significance to China's development.

China's internationalization is mainly reflected in the following aspects:

enterprises begin to participate in overseas investment, trade export, and foreign operation. China's utilization of foreign capital in the world is increasing. At present, 16000 enterprises in China have participated in international operations, and a total of 22000 branches have been established abroad, distributed in 179 countries and regions around the world. The total number of employees in overseas branches has reached 1.49 million, and the total assets of overseas institutions have exceeded the US \$2.3 trillion, realizing a total sales revenue of US \$1.24 trillion, a year-on-year increase of 19.4%. (Zhang,2013) generally speaking, at present, the international business activities of Chinese enterprises are developing, the scale and scope of foreign investment are expanding, and the internationalization field is constantly expanding and deepening. In the process of internationalization, small and medium-sized enterprises have also joined the ranks of internationalization to survive and develop in the fierce competition.

There are 18.098 million enterprises in China, of which small and medium-sized enterprises account for 70%. The value of final products and services created by small and medium-sized enterprises has accounted for more than 50% of China. The exports of products, technologies and services provided account for about 60% of China's total export value, and the taxes paid account for more than 40% of China's total taxes; it has absorbed 75% of social employment (Ru, 2008).

Among the current Chinese export enterprises (Chen, 2013), SMEs account for more than 20% of China's export share. In 2010, 23% of China's export scale was contributed by small and medium-sized enterprises, accounting for 38% of China's export enterprises in the same period. SMEs have grown into a part of China's

internationalization.

Small and medium-sized enterprises in China include construction, manufacturing, and traditional Chinese medicine. Among them, the performance of small and medium-sized enterprises of traditional Chinese medicine is the lowest, and the GDP growth is slow. Many small and medium-sized enterprises of traditional Chinese medicine are facing bankruptcy, such as Chongqing Tiansheng Pharmaceutical Co., Ltd. and Tianjin encyclopedia Pharmaceutical Co., Ltd. (baidubaik,2020).

With the improvement of Chinese residents' health awareness, their dependence on traditional Chinese medicine has dramatically increased, and the application of traditional Chinese medicine has gradually increased, such as the application of traditional Chinese medicine in medicine, food and health care, such as wormwood leaf and realgar wine with mosquito repellent function, detoxification, insecticidal and snake and insect bite. There are Dragon Boat Festival porridge and traditional Chinese medicine ingredients. Traditional Chinese medicine is closely related to people's life. (Gan, 2009).

Therefore, in the wave of economic globalization, how to promote the performance of small and medium-sized enterprises in the sustainable development of traditional Chinese medicine, give full play to the role of small and medium-sized enterprises in economic and social development, and smoothly integrate into the world economy is a significant problem to be solved.

In terms of quantity, in recent years, the total amount of traditional Chinese medicine of small and medium-sized enterprises in Guangzhou ranks first in China. In terms of export scale, the output value created by small and medium-sized traditional Chinese medicine enterprises in Guangzhou accounts for 60% of the national total output value. 80% of the new jobs in Guangzhou come from small and medium-sized traditional Chinese medicine enterprises; Geographically, the small and medium-sized traditional Chinese medicine enterprises in Guangzhou are far superior to the offshore advantages of some inland areas. In terms of export activities, small and medium-sized traditional Chinese medicine enterprises in Guangzhou account for 70% of China's export activities. Therefore, to narrow the scope of the research object and increase the research's credibility, this paper covers only traditional Chinese medicine in Guangzhou. Selects Guangzhou as the research site. Guangzhou is the largest city in China, with the most significant number of small and medium-sized enterprises of traditional Chinese medicine, the most significant export scale of traditional Chinese medicine, superior geographical location, and active export of traditional Chinese medicine.

Table1.1

Total of number of Establishment and number of SME by sector in China

Sector	Total Establishments (a)	Total SME (b)	Percentage(%) of SME over Total Establishments (b)/(a)*100
Manufacture	348947	208810	60.0
Food	42144	27820	66.0
TCM	2806	2104	75.1
Construction	88059	60230	68.3

Agriculture	9235	5010	54.2
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Source : Department of Statistic of China (2020)

Table 1.1 shows the total number of SMEs in China by industry. Active industries include manufacturing, transportation, food, service, traditional Chinese medicine, agriculture, and construction in China. (statistical report of China Bureau of statistics, 2020). As shown in Table 1.1, the total number of enterprises in the manufacturing sector is the largest. Manufacturing refers to using resources (materials, energy, equipment, tools, capital, technology, information, and talents) and transforming these resources into usable tools. China's manufacturing industry includes: product manufacturing, design, raw material procurement, equipment assembly, storage and transportation, order processing, wholesale and retail, machine tool manufacturing, Automobile, ship, power generation equipment, and other equipment, and actively cultivate several high-end equipment manufacturing industries such as new energy vehicles, marine engineering equipment, rail transit equipment, aerospace. As shown in Table 1.1, the construction department ranks second in the total number of enterprises, and the construction department is the design, construction, and maintenance of the original building. China's construction industry mainly includes Housing construction and civil engineering construction; construction Installation, measurement, wiring, piping, and equipment.

The most significant number of small and medium-sized enterprises is also the manufacturing industry. China's manufacturing of small and medium-sized enterprises has risen rapidly in recent years, and many manufacturing small and medium-sized enterprises have become world leaders. In order to encourage and support the healthy growth of small and medium-sized manufacturing enterprises, the

China Bureau of Statistics and the China Association for international cooperation of small and medium-sized enterprises jointly held the "summit of 1000 most growing small and medium-sized enterprises in China's manufacturing industry". The meeting conducted an in-depth discussion on the hot issues generally concerned by China's manufacturing small and medium-sized enterprises in the form of theme reports, special reports, project exhibitions, and interactive exchanges. At the same time, based on the data of the China Bureau of statistics, it announced the 1000 most growing small and medium-sized enterprises with great development vitality in China's manufacturing industry in recent years. From an objective perspective, it shows society the entrepreneurship model and growth of small and medium-sized manufacturing enterprises in the rapid economic tide in recent years. Provide a vital evaluation basis for investment and financing institutions, local governments, and business partners.

Although the number of traditional Chinese medicine enterprises is small, the total number of traditional Chinese medicine enterprises is 2806, and the total number of small and medium-sized enterprises is 2104, less than half of the number of other active departments, the proportion of small and medium-sized traditional Chinese medicine enterprises in the entire enterprises is the largest, reaching 75.1%. It can be seen that small and medium-sized enterprises of traditional Chinese medicine play an important role in increasing employment and promoting the economic growth of traditional Chinese medicine in whole pharmaceutical enterprises.

Table 1.2
SME GDP share by Key Economic Activity Sector

SME Contribution to GDP SME GDP	
---------------------------------	--

Sector	2012	2014	2016	2018
Manufacture	31.53%	30.5%	28.96%	29.41%
Food	11.9%	19.75%	20.59%	17.13%
TCM	7.75%	7.40%	6.90%	6.84%
Construction	9.30%	9.10%	6.70%	10.51%
Agriculture	9.50%	9.21%	9.53%	9.61%

Source: Department of Statistic of China(2020)

Table 1.2 shows the share of GDP of SMEs by significant sectors of economic activity. In terms of years, the manufacturing SMEs accounted for the highest proportion in 2012, the manufacturing SMEs also accounted for the highest proportion in 2012, the manufacturing SMEs also accounted for the highest proportion in 2016, and the manufacturing SMEs also accounted for the highest proportion in 2018. From the trend perspective, from 2012 to 2018, the most significant increase was food for small and medium-sized enterprises, with an average increase of 166%. In order to analyze the reasons for the low GDP of traditional Chinese medicine and try to explore a road suitable for the development of traditional Chinese medicine small and medium-sized enterprises, this paper lists the most commonly used production mode comparison methods. As shown in Figure 1.1.

Sector	Product	Equipment	Administration	Organization Structure
Manufacture	Diversification	Multifunctional equipment	Diversification	Vertical type
Food	Standardization	Special equipment	Single	Division of labor

TCM	Diversification	Special equipment	Single	Vertical type
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Figure 1.1: Comparison of production models in active economic.
Source : China industry(2020)

Figure 1.1 shows a comparison of production patterns in active sectors. The GDP of small and medium-sized manufacturing enterprises is the highest among the active sectors, and its product diversification means that there are many kinds of products; Multifunctional equipment means that the equipment has many functions, and diversified management means that there are rules and regulations for the management, and the organizational structure is vertical. The GDP of small and medium-sized food enterprises ranks second among the active sectors, with standardized products, specialized equipment, single management, and division of labor in organizational structure. The GDP ranking of small and medium-sized enterprises of traditional Chinese medicine is relatively backward. The pharmaceutical industry has diversified products, special equipment, single management, and a single organizational structure.

In comparison, the product and organization structure of small and medium-sized enterprises of traditional Chinese medicine are consistent with those of small and medium-sized enterprises of the manufacturing industry. The equipment and administration are consistent with small and medium-sized food enterprises.

Table 1.3
Total export value by Key Economic Activity SME

Export Value(million)					
Sector	2014	2015	2016	2017	2018

Manufacture	94.06	123.84	172.06	219.86	320.02
Food	93.04	120.01	250.06	432.50	523.70
TCM	10.06	12.40	14.80	16.20	22.04
Construction	13.04	15.03	22.31	35.01	36.01
Agriculture	26.00	28.03	33.20	35.01	36.04

Source: Department of Statistic of China(2020).
1RMB = USD 0.14

Table 1.3 shows the total export value of major economic activities of China's small and medium-sized enterprises. In terms of years, the highest export volume in 2014 was small and medium-sized manufacturing enterprises; Small and medium-sized manufacturing enterprises also had the highest export volume in 2015; In 2016, small and medium-sized food enterprises had the highest export volume; In 2017, small and medium-sized food enterprises had the highest export volume; Food SMEs with the highest export volume in 2018. From the trend perspective, the most significant increase from 2014 to 2018 was food small and medium-sized enterprises, with an average increase of 430 million.

The export value of small and medium-sized traditional Chinese medicine enterprises is still backward. Although traditional Chinese medicine has become an active industry in recent years, its export value is lower than other active industries. Therefore, this paper analyzes their international comparison modes, as shown in Figure 1.2.

Sector	Export	Technology	Production
---------------	---------------	-------------------	-------------------

Manufacture	Latin America,Russia	Diversity	Mass production
Food	Whole world	Diversity	Mass production
TCM	Southeast Asia	Single	Mass production

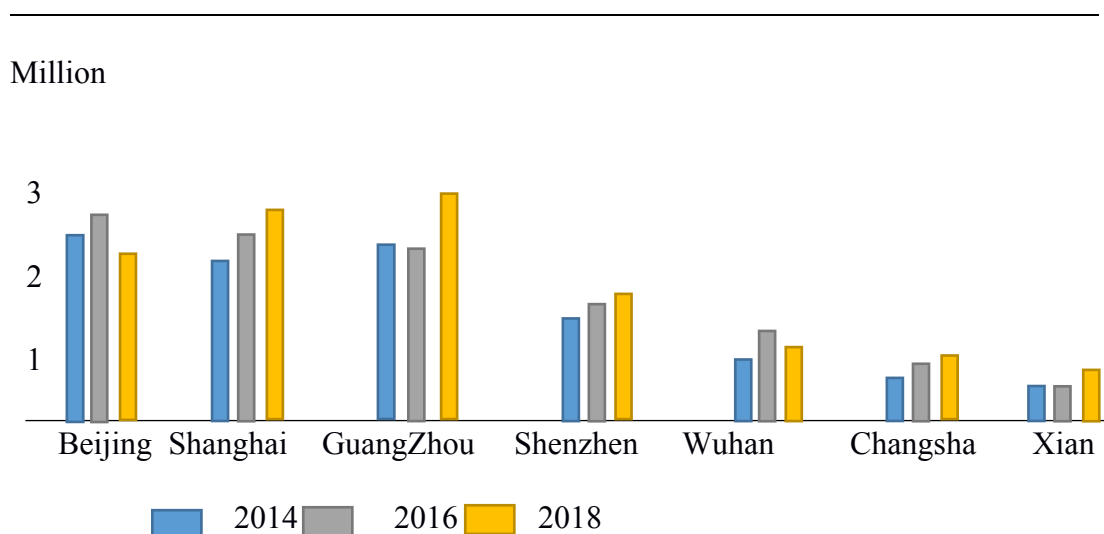
Figure1.2 : Comparison of internationalization models of active sectors.
Source : China industry(2020).

Figure1.2 shows the comparison of internationalization models of active industries. Manufacturing export markets mainly concentrate on Latin America Russia. The technology is diverse, the production process is mass production, the food sector is exporting to the global market, the technology is diverse, and the production process is mass production. The export of the traditional Chinese medicine industry mainly concentrates in the Southeast Asian market, with single technology and mass production of the production process.

From a comparative point of view, the production of small and medium-sized enterprises of traditional Chinese medicine is the same as that of small and medium-sized enterprises of the manufacturing industry and food industry. The export cities of various departments are different. The technology of the manufacturing industry and food industry has made significant progress in product R&D and processing capacity. Only the technology of small and medium-sized enterprises of traditional Chinese medicine is too single (Zhang, 2002). It is difficult for scientific and technological means to fully explain traditional Chinese medicine's essence, mechanism, and drug property theory. In research and development, there are many technical problems encountered in the process of separation and purification, the degree of technological innovation is not enough, and the purity is not directly proportional to the efficacy. The purer it is, the more toxic it may be. Therefore, there are not many kinds of

traditional Chinese medicine developed.

Table 1.4
TCM Exports value from China active Cities



Source: Value export report of China,(2020).

Table 1.4 shows the export value of traditional Chinese medicine in active cities in China. Regarding regional advantages, the main export cities are Beijing, Shanghai, and Guangzhou, 19 states. Guangzhou, Beijing, and Shanghai have always been at the forefront of export value in terms of export value advantages. Regarding the advantages of traditional Chinese medicine export activities, the export value of traditional Chinese medicine in Guangzhou is more significant than that in Beijing and Shanghai. Guangzhou has the most significant number of small and medium-sized enterprises of traditional Chinese medicine in terms of quantitative advantages. Guangzhou is close to Southeast Asia, the leading destination of Chinese traditional medicine export in terms of geographical advantages. Therefore, choosing Guangzhou has more advantages. It is conducive to promoting the development of Guangzhou's regional economy, even improving national economic benefits, promoting foreign trade, enhancing international competitiveness, optimizing

resource allocation, and promoting structural adjustment and the development of related industries.

1.3 Problem Statement

With the continuous development of the social economy, traditional Chinese medicine has become an active economic field in China. However, according to the China Bureau of Statistics (2020) report, the GDP of traditional Chinese medicine is lower than that of other active economic sectors, as shown in Figure 1.2. Many small and medium-sized enterprises of traditional Chinese medicine are facing bankruptcy. As of December 2019, only 1427 new small and medium-sized enterprises of traditional Chinese medicine were added in 2019, a total of 327 small and medium-sized enterprises of traditional Chinese medicine were closed down, and the closed small and medium-sized enterprises of traditional Chinese medicine accounted for 23% of the new. There are many cases of bankruptcy. For example, on March 23, 2021, Chongqing Huarui Pharmaceutical Co., Ltd., Chongqing Hongfu pharmacy chain Co., Ltd., Chongqing Baoyuantang pharmacy chain Co., Ltd., and Chongqing Welfare pharmacy chain Co., Ltd. applied for the cancellation of the drug trading license due to their poor operation. From spontaneous writing, the company shall not engage in drug trading activities.

Thus, how to promote the sustainable performance development of traditional Chinese medicine small and medium-sized enterprises, give full play to the role of traditional Chinese medicine small and medium-sized enterprises in economic and social development, and smoothly integrate with the world economy in the tide of

economic globalization is a significant problem that needs to be solved urgently.

At present, the development of small and medium-sized enterprises of traditional Chinese medicine is facing several challenges. (Zhang,2002) the marketing and promotion capacity of small and medium-sized enterprises of traditional Chinese medicine is insufficient. Many small and medium-sized enterprises of traditional Chinese medicine have much higher marketing investment than technology investment. There is a logical relationship between technology and marketing, a combination form. If the technology is poor, the product is poor, and the later marketing will be more passive. If the technology is good, the later marketing will be better and better. Small and medium-sized enterprises of traditional Chinese medicine have not done well in the linkage between technology and sales. Thirdly, (Gan, Shi&Li, 1998) although the education system of a doctor, master, and undergraduate of traditional Chinese medicine has been established, and the corresponding teaching courses have been set up in Colleges and universities, few can be the leaders of traditional Chinese medicine, which shows that the overall talent level is not high. Finally, small and medium-sized Chinese medicine enterprises do not receive enough industrial and financial support. In contrast, the American capital market has played a significant role in promoting the internationalization of pharmaceutical enterprises.

It can be concluded that the key difficulties in the performance development of Chinese traditional medicine small and medium-sized enterprises are technology, marketing, and talents. In the context of the resource-based view (Wererfelt, 1984), "enterprises have different tangible and intangible resources, which can be transformed into unique capabilities: resources are static and difficult to replicate

among enterprises: these unique resources and capabilities are the source of lasting competitive advantage of enterprises. (Hanif, Masood,&Ariq, 2013) talents are valuable, irreplaceable, and irreplaceable enterprise resources. (Wright & Snell, 2001) Enterprises guide the behavior of talents through the rational management of talents to affect the performance of enterprises. Technological capability is the basis for the survival and development of enterprises. (Syahida, Ismail and Mokhtar, 2014) technical capability can be a continuous resource that affects the company's performance. (Qamar, 2011) marketing capability can be a resource that affects the company's performance. Thus, this study introduces talent, technical capability, and marketing capability into the three IVs frameworks that mainly affect enterprise performance.

In order to survive in the fierce competition and achieve long-term development, more and more small and medium-sized enterprises begin to internationalize, such as import and export, cross-border investment, cross-border M &A, and so on. With the gradual change of the trend of global production, small and medium-sized enterprises in various countries compete to find production bases with low manufacturing costs, resulting in the transfer of industries to low-cost countries, prompting enterprises in various countries to form a wave of foreign investment. As the representative of the vibrant economy, small and medium-sized enterprises have joined the trend of internationalization. (Zahra, 2002) although small and medium-sized enterprises have limited skills and resources, internationalization is still a good choice for developing small and medium-sized enterprises (Ripolles,2012). As an intangible asset of an enterprise, internationalization can bring more resources to the enterprise, enable the enterprise to allocate a broader range of internal resources,

improve the international competitiveness and influence of the enterprise, and finally realize the increase of operating income.

Thus, this study introduces internationalization as an intermediary resource in the framework. However, previous studies have not found the impact of talent, technology, and marketing on internationalization. Therefore, this study assumes that government support may strengthen the relationship between internationalization and talent, technology capability and marketing capability. According to relevant research, local governments have played an essential role in promoting the listing of traditional Chinese medicine in small and medium-sized enterprises. The cooperation between the government and enterprises, the government's socio-economic policies, and active support for enterprises will promote small and medium-sized enterprises (Amal, 2011). The role of government in enterprise resource allocation is irreplaceable. Government support is the critical factor affecting SMEs and finally promotes the internationalization of SMEs (Zhong, 2010). However, the two variables of government support and internationalization have been confirmed in the research of traditional Chinese medicine small and medium-sized enterprises. In order to solve the performance development problem of traditional Chinese medicine small and medium-sized enterprises, integrating these variables into the framework will prove the gap that this study attempts to fill.

Previous studies on traditional Chinese medicine have adopted different frameworks, but a specific framework has not been formed. Thus, based on RBV, this paper uses dynamic capability theory to reorganize and integrate these resources and puts forward a new theoretical framework. Talent, technical ability, and marketing

ability are considered independent variables, internationalization as intermediary variables, and government support as regulatory variables.

1.4 Research Objectives

The purpose of this study is to find out the relationship between talent, technical capability, marketing capability, and the performance of small and medium-sized enterprises of traditional Chinese medicine. As an intangible asset of enterprises, internationalization can bring more resources to enterprises, enable enterprises to allocate more internal resources, and improve their competitiveness and influence. Therefore, this paper also aims to explore the intermediary effect of internationalization. Some scholars say that the role of the government in the allocation of enterprise resources is irreplaceable. The cooperation between the government and enterprises, the government's socio-economic policies, and active support for enterprises will promote the internationalization process of small and medium-sized enterprises. Therefore, this paper also aims to explore the intermediary effect of government support. The main objectives of this study are as follows:

(a) To examine relationship between talent and firm performance among traditional medicine SME in China.

(b) To examine relationship between technology capability and firm performance among traditional medicine SME in China.

(c) To examine relationship between marketing capability and firm performance

among traditional medicine SME in China.

(d) To examine the mediating effect of internationalization between talent, technology capability and marketing capability on firm performance of traditional medicine SME in China.

(e) To examine the moderating effect of government support the relationship between talent, technology capability and marketing capability on internationalization of traditional medicine SME in China.

1.5 Research Question

(a) Does talent has a positive relationship with firm performance of the traditional medicine SME in China ?

(b) Does technology capability has a positive relationship with firm performance of the traditional medicine SME in China ?

(c) Does marketing capability has a positive relationship with firm performance of the traditional medicine SME in China ?

(d) Does internationalization mediate the relationship between talent, technology capability and marketing capability towards firm performance of the traditional medicine SME in China ?

(e) Does government support moderate the relationship between talent, technology capability and marketing capability on the internationalization of the traditional medicine SME in China ?

1.6 Significance of Study

In terms of theoretical contribution, based on the viewpoint of resource-based theory, this study regards these resources (talents, technical capability, and marketing capability) as the intangible and tangible value of enterprises. Based on the view of dynamic capability theory, enterprises can build, reconfigure and integrate internal and external in a changing environment. Thus, integrate internationalization, government support, talent, technical capability, and marketing capability into the framework. This study will enrich the resource-based theory and dynamic capability theory.

This paper emphasizes the relationship between internationalization, talents, technology, marketing level, government support, and enterprise performance in practical contribution. It is suggested that small and medium-sized traditional Chinese medicine enterprises pay more attention to these factors and further develop them. This study has made practical contributions to developing small and medium-sized enterprises of traditional Chinese medicine.

1.7 Key Definitions

Internationalization: Internationalization is a development process and a continuous

form. Internationalization can increase production or response to the liquidity of products and production factors in market internationalization. Therefore, the definition of internationalization in this paper is the international development process of various elements of traditional Chinese medicine small and medium-sized enterprises.

Firm Performance: In the company's resource-based view (J. Barney, 1991; Wernerfelt, 1984), the company's specific capital and capability are represented as the basis of emerging competitive advantage, thus representing the company's performance capability.

Talent:The planning model of talent allocation and activities that enable enterprises to achieve their goals. (Wright&Mahan, 1992). Therefore, the definition of talents in this paper is the people who can help small and medium-sized enterprises of traditional Chinese medicine achieve their goals or plans.

Technology Capability: Technical capability refers to using technology to develop new products and update relevant technical knowledge to transform this knowledge into expected results (Wang, Zhang,&Xue, 2006).

Therefore, the definition of technology capability in this paper is the technical ability to develop relevant new products of traditional Chinese medicine, to complete the new goal of traditional Chinese medicine technology, or the technological innovation of traditional Chinese medicine.

Marketing Capability: It is a potential ability of an enterprise. It optimizes the allocation of enterprise resources through effective transaction processes and related activities to meet customers' needs. It is a comprehensive reflection of the market effect and a complex working mode to coordinate customers and marketing resources. Marketing ability is not a single market but a comprehensive embodiment of long-

term marketing practice (in, 2013).

Therefore, the definition of marketing capability in this paper is the ability to meet the needs of traditional Chinese medicine customers, coordinate the relationship with traditional Chinese medicine customers, or effectively carry out the transaction process of traditional Chinese medicine.

Government Support: Government Support usually provides particular policies and information to help enterprises. To improve the development capacity of enterprises (Ning, 2014). Therefore, the definition of government support in this paper is that the government provides particular policies and information to small and medium-sized enterprises of traditional Chinese medicine, such as financial subsidies.

1.8 Organization of Chapter

This study is structured into five chapters. The first chapter being the introduction explains the background, purpose and significance of the study. It also covers the research objectives which act as the guidelines for this study. The next chapter is going to review past literature related to this current study and followed by the formulation of the theoretical framework and hypotheses. Chapter Three illustrates the methodology used in this current study. This chapter will discuss on the research design which will cover the sample size, unit of analysis and the method used for data analysis. In Chapter Four, data collection is described together with the statistical analysis results and hypotheses results. In the final chapter, Chapter Five is the conclusion of this study, which will provides the implications of the current study, its limitations and recommendations for future study.

Chapter2

Literature Review

2.1 Introduction

In recent years, the research on enterprise performance has been the hot spot of management experts. They intend to study how to improve the sustainable competitive advantage of enterprises from the perspective of talents, technology, and marketing. Although there are many deficiencies in the talents, technology, and marketing of traditional Chinese medicine, it is true that in this era of economic globalization, internationalization also essentially improves enterprise performance. Some literature suggests that internationalization can promote the development of talents, technology, marketing, and other factors. Due to insufficient arguments, it is impossible to determine that internationalization strongly impacts talents, technology, and marketing. In order to fill this gap, government support has also been added to the framework. However, the composition and research of these frameworks are inseparable from the support of resource-based theory and dynamic capability. Therefore, this chapter introduces the theoretical background, puts forward the theoretical research framework, and puts forward the assumptions related to this study.

2.2 SME definition

Small and medium-sized enterprises refer to economic units with smaller personnel, assets, and business scale than large enterprises in the same industry. In June 2011, the Ministry of industry and information technology and other ministries

and commissions of the people's Republic of China jointly issued the notice on printing and distributing the provisions on the classification standards of small and medium-sized enterprises, which stipulates that the classification standards of small and medium-sized enterprises in various industries are: less than 500 employees, annual turnover of no more than 50 million yuan, or total assets of no more than 60 million yuan. As shown in Figure 2.1. These boundaries apply to China's small and medium-sized enterprises.

<p>Medium</p> <ul style="list-style-type: none"> - has either an annual turnover not exceeding 50 million, and/or a total assets not exceeding 60 million. - has fewer than 500 employees.
<p>Small</p> <ul style="list-style-type: none"> - has either an annual turnover not exceeding 25 million, and/or a total assets not exceeding 35 million. - has fewer than 250 employees.

Figure 2.1: The New SME Definition Bases on Size&Sales Turnover

Source: Commission of China, 2019.

The value is Yuan.

2.3 TCM SME in China

There are many definitions of traditional Chinese medicine. At present, the most complete and recognized definition is: Traditional Chinese medicine is a substance used for prevention, diagnosis, and treatment of diseases and rehabilitation

and health care under the guidance of traditional Chinese medicine theory. Traditional Chinese medicine has three characteristics:

1. Most drugs are produced in China.
2. Medication is based on the theory of traditional Chinese medicine.
3. Traditional Chinese medicine is taken from nature, with relatively minor side effects, which is not easy to produce drug resistance and allergy.



Angelica Sinensis



Schisandra Chinensis



Panax Ginseng C.A.



Mey Schisandra chinensis



Codonopsis Pilosula



Dioscorea Oppositifolia



Rehmanniae Radix



Asarum Sieboldii Miq

Figure 2.2: TCM mainly products.
Source: TCM report(2020).

Chinese medicine mainly includes Angelica Sinensis (medical name), Schisandra Chinensis (medical name), Panax ginseng C.A. (medical name), Mey Schisandra Chinensis (medical name), Codonopsis pilosula(medical name), Dioscorea oppositifolia (medical name), Rehmanniae Radix (medical name), Asarum sieboldii Miq (medical name). To facilitate people to understand Chinese medicine, see Figure 2. 2 shows the main products of TCM. Angelica Sinensis is used for blood tonic, regulating blood lipids, lowering blood pressure, and strengthening the body; Schisandra Chinensis is used for detumescence, osteoporosis, enhancing

myocardial contractility; *Panax ginseng* C.A. is used to treat weakness of spleen and stomach, prevent diabetes, regulate nerves. *Mey Schisandra Chinensis* is used to delay aging and protect the heart. *Codonopsis pilosula* is used to enhance hematopoietic function and inhibit gastric acid secretion. *Dioscorea oppositifolia* is used to regulate the spleen and stomach. *Rehmanniae Radix* for blood and cool blood; *Asarum sieboldii* Miq is used to relieve pain and eliminate colds (TCM Data, 2020).

Under the background of economic globalization, many foreign enterprises began to carry out technological innovation, such as drug design, new drug development, and the application of new technologies, new processes, and new equipment in drug production, to continuously improve the efficacy of drugs and reduce side effects. (Liu,2000) Chinese traditional Chinese medicine manufacturers and research institutes of traditional Chinese medicine have an insufficient investment in developing new traditional Chinese medicine, the research on pharmacological effects, the confirmation and extraction of practical components, and the research on new dosage forms. From 1990 to 1999, China approved 396 new drugs of category I, II, and III traditional Chinese medicine. Among them, the number of new drugs in categories I and II is small, and the development of category III is mostly repeated. The overall level of development is not high, which is generally reflected in the weak ability of scientific research, development, and technological innovation of traditional Chinese medicine. Next, analyze the technological innovation of traditional Chinese medicine.

In the early stage, the processing technology of small and medium-sized traditional Chinese medicine enterprises is mainly used for cleaning, impurity