INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

# Internationalisation Strategies of Chinese Textile SMES: A 15-Year Thematic Review and Literature Matrix

**Zhang Yibin[1]*, Poh-Chuin Teo[2]**

**Azman Hashim International Business School, Universiti Teknologi Malaysia, Kuala Lumpur, Malaysia.**

**[1]ORCID: 0009-0005-5463-4396**

**[2]ORCID: 0000-0002-3843-7887**

**DOI: https://doi.org/10.47772/IJRISS.2026.100800439**

**Received: 23 August 2026; Accepted: 28 August 2026; Published: 08 September 2026**

## ABSTRACT

This paper presents a comprehensive 15-year thematic literature review evaluating the internationalisation strategies, entry modes, dynamic capabilities, and institutional drivers of Chinese textile and garment Small and Medium-sized Enterprises (SMEs). This study synthesizes empirical scholarship published over the past fifteen years, with particular emphasis on recent findings from 2024 through 2026. The paper establishes a curated Literature Matrix cataloguing representative empirical studies across sample contexts, theoretical frameworks, core variables, methodologies, and key findings. The thematic synthesis organizes literature across five conceptual pillars: institutional policy push and Belt and Road Initiative (BRI) trade corridors, platform-mediated cross-border e-commerce (CBEC) ecosystems, AI-driven dynamic supply chain agility, regional outward FDI as institutional escape, and foreign trade friction alongside European Union ESG mandates. A detailed methodological critique evaluates research designs and sampling biases across Chinese coastal and inland industrial clusters, concluding with narrative strategic implications for SME executive management and industrial policy.

**Keywords:** Chinese Textile SMEs, Internationalisation Strategy, Thematic Literature Review, Literature Matrix, Cross-Border E-Commerce, Belt and Road Initiative

## INTRODUCTION

The global textile and apparel industry has undergone a structural metamorphosis over the past fifteen years. Long celebrated as the undisputed low-cost manufacturing hub of world trade, China's textile sector has reached a critical strategic crossroads. Escalating domestic factor costs most notably compound annual wage inflation, land scarcity, and rigorous environmental enforcement under China's dual-carbon policy have compressed traditional original equipment manufacturing (OEM) profit margins. Concurrently, international trade dynamics have grown increasingly volatile, marked by shifting tariff regimes, regional supply chain nearshoring, and changing Western consumer demand toward rapid product turnaround and certified environmental sustainability.

Small and Medium-sized Enterprises (SMEs) constitute the primary engine of China's textile economy. Concentrated heavily in specialized industrial clusters across coastal provinces such as Zhejiang, Jiangsu, Guangdong, and Shandong, these SMEs generate over eighty percent of total export volume in domestic textiles and garments. Unlike state-owned enterprises or capital-intensive multinational corporations (MNCs), textile SMEs operate under severe resource constraints, heightened vulnerability to foreign liability, and foreign trade friction. Consequently, these firms have been compelled to abandon passive, intermediary-driven export models in favour of proactive, agile, and digitally integrated internationalisation strategies.

While classical international business (IB) literature ranging from Lu and Beamish (2001) to the Uppsala stage model (Johanson & Vahlne, 1977, 2009) and Dunning's Eclectic Paradigm (Dunning, 1988) emphasizes gradual, risk-averse foreign commitment, emerging market SMEs frequently demonstrate non-sequential, rapid expansion trajectories. Recent scholarship from 2024 to 2026 highlights how platform disintermediation, artificial intelligence, and state-backed trade corridors reconfigure foreign entry dynamics. To synthesize how Chinese textile and manufacturing SMEs navigate foreign market entry, digital platforms, outward foreign direct investment, and non-tariff environmental barriers, this study executes a thematic literature review. By organizing scholarship into a verified Literature Matrix, evaluating methodological rigor, and establishing narrative strategic implications, this paper provides a definitive thematic synthesis for scholars, enterprise managers, and policymakers.

# LITERATURE REVIEW METHODOLOGY & MATRIX PROTOCOL

## Review Design and Scope

This study adopted a structured thematic literature review to examine the factors shaping the internationalisation of Chinese textile and manufacturing SMEs. The review covered a fifteen-year period from 2011 to 2026, with particular attention to empirical studies published between 2024 and 2026. The extended period was selected to capture the development of established internationalisation perspectives while also identifying recent changes associated with digital transformation, cross-border e-commerce (CBEC), supply chain restructuring, institutional change, and environmental, social, and governance (ESG) requirements.

The review was designed to provide both thematic coverage and critical comparison rather than to estimate a pooled statistical effect. Accordingly, studies were examined in relation to their research context, theoretical foundation, methodological design, variables, mechanisms, and internationalisation outcomes. The review also distinguished evidence directly related to textile and apparel firms from evidence derived from the broader Chinese manufacturing sector. This distinction is important because findings from manufacturing enterprises cannot automatically be assumed to apply to textile SMEs, particularly where sector-specific production structures, supply-chain characteristics, regulatory exposure, and market conditions may differ.

The review followed a structured identification, screening, eligibility, and inclusion process informed by the reporting principles of PRISMA 2020. PRISMA 2020 recommends transparent reporting of how records are identified, screened, excluded, and included, with a flow diagram used to show the movement of studies through the review process.

## Search Strategy and Information Sources

Literature searches were conducted using Web of Science Core Collection, Scopus, Google Scholar, and relevant international business and management journal archives. The search covered publications from 2011 to 2026, while studies published between 2024 and 2026 received additional attention because of the rapid development of digital trade, artificial intelligence, platform-based internationalisation, supply chain transformation, and sustainability-related regulation.

The principal Boolean search strategy combined four groups of terms:

("China" OR "Chinese") AND ("textile" OR "apparel" OR "garment" OR "manufacturing") AND ("SME" OR "small enterprise") AND ("internationalisation" OR "export performance" OR "entry mode" OR "cross-border e-commerce" OR "outward FDI").

Additional searches were conducted using combinations of the principal concepts where the initial search returned studies that were relevant to Chinese SME internationalisation but were not captured by the full Boolean string. These searches were used to identify theoretically important studies concerning institutional environments, dynamic capabilities, digital transformation, transaction costs, ESG, and internationalisation strategies.

Only peer-reviewed journal studies were retained for the core literature matrix. Foundational theoretical studies were also retained where they were necessary to establish the theoretical basis of the review. The search was not restricted exclusively to textile studies because the literature directly examining Chinese textile SMEs remains narrower than the broader Chinese manufacturing and SME internationalisation literature. However, broader manufacturing evidence was explicitly classified as such rather than being treated as direct textile-sector evidence.

### Identification, Screening and Eligibility

The literature screening process consisted of four stages: identification, preliminary screening, full-text assessment, and final inclusion. Relevant studies were identified from Web of Science, Scopus, Google Scholar, and selected journal archives, with the number of records at each stage reported in Figure 1 and Table 1. During preliminary screening, titles and abstracts were reviewed based on their relevance to Chinese firms, SMEs, manufacturing or textile activities, and internationalisation. Studies that were outside the research scope were excluded, while potentially relevant studies proceeded to full-text assessment. At this stage, studies were excluded if they did not provide sufficient information on the research context, theory, methods, or findings, were unrelated to Chinese firms or internationalisation, had no meaningful connection to the research topic, or were not peer-reviewed journal publications. The final studies were used to develop the Literature Matrix and were further classified according to their level of relevance to Chinese textile SMEs.

### Inclusion and Exclusion Criteria

The inclusion and exclusion criteria were established before final thematic coding to provide consistency in the selection of studies (see Table 1).

**Table 1: Inclusion and Exclusion Criteria**

| Criterion | Inclusion | Exclusion |
|---|---|---|
| Publication period | Journal studies published between 2011 and 2026, with particular attention to 2024–2026 | Studies outside the review period |
| Geography | Studies examining Chinese firms or Chinese SME internationalisation | Studies with no meaningful Chinese firm context |
| Sector | Textile, apparel, garment, manufacturing, or broader SME studies directly relevant to the internationalisation mechanisms examined | Studies unrelated to the sectors or mechanisms of interest |
| Firm type | SMEs, exporting firms, manufacturing enterprises, or studies with direct relevance to SME internationalisation | Studies focused exclusively on unrelated organisational forms |
| Research topic | Internationalisation, export performance, entry mode, CBEC, digital capability, institutional factors, dynamic capabilities, ESG, or related internationalisation mechanisms | Studies without a meaningful connection to the review objectives |

The criteria were applied flexibly enough to retain theoretically important foundational studies while maintaining a clear distinction between direct empirical evidence and broader conceptual contributions.

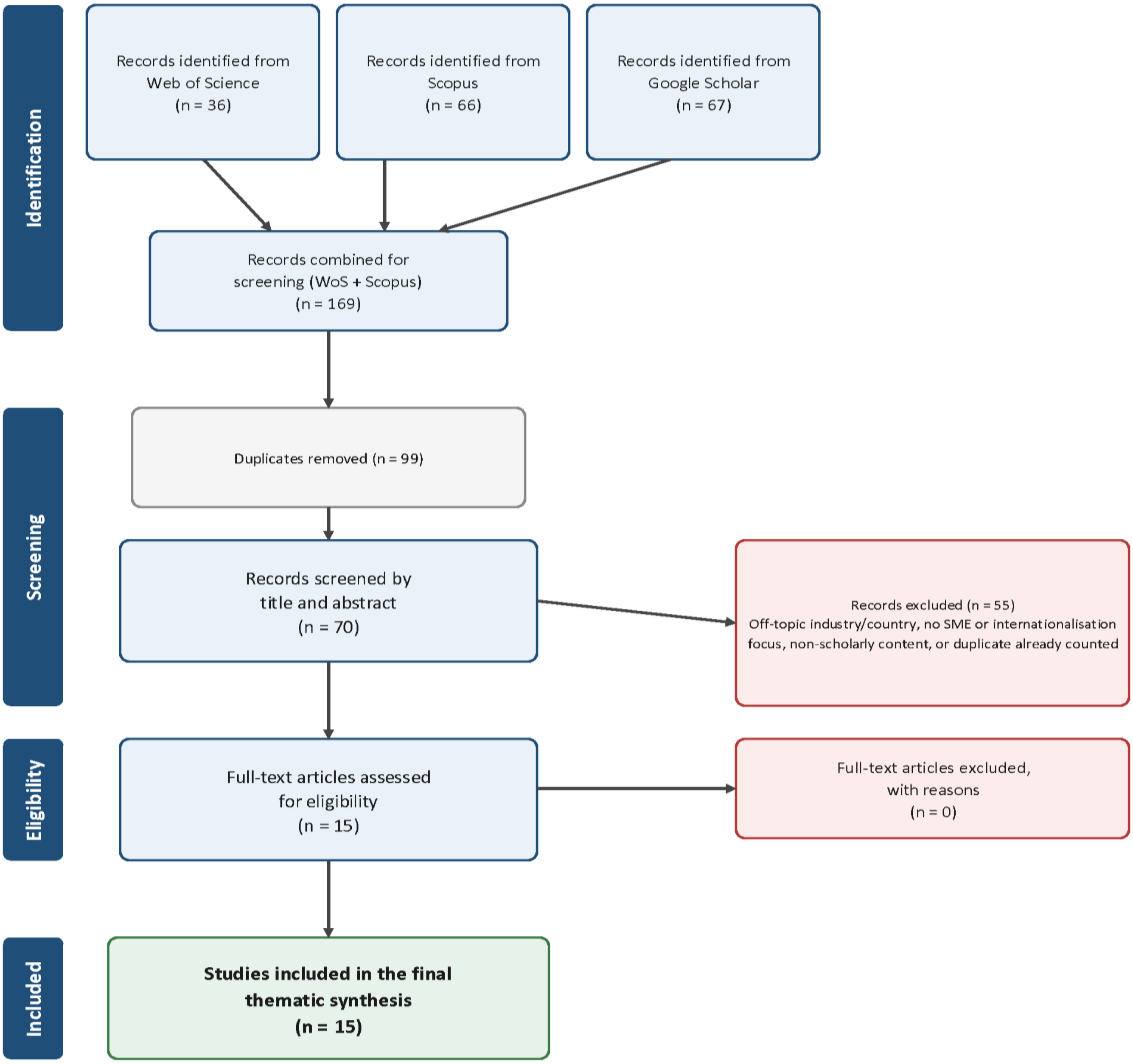
### Data Extraction and Literature Coding

For each included study, information was extracted into a master Literature Matrix covering author and publication year, research context, sample, theoretical framework, variables or research focus, methodology, analytical approach, and key findings. Two additional coding dimensions were introduced to strengthen the critical assessment of the evidence. First, each study was classified according to its evidence scope (Textile-specific evidence, Chinese manufacturing evidence, Chinese SME/general internationalisation evidence and Conceptual/theoretical evidence). Second, each finding was classified according to empirical finding, conceptual interpretation and strategic inference. This distinction prevents findings obtained from broader manufacturing samples from being presented as direct evidence about textile SMEs.

### Screening Framework

Figure 1 presents the review process using a PRISMA-style structure. The figure reports the number of records identified from each information source, duplicates removed, records screened, full texts assessed, studies excluded with reasons, and studies retained for the final thematic synthesis. The final version of the figure should be populated using the documented database search results immediately before submission.

**Figure 1. PRISMA literature identification and screening process**




The screening framework follows the logic of PRISMA 2020 while retaining the thematic-review orientation of the present study. PRISMA is used here as a reporting framework to improve transparency rather than to imply that the review constitutes a meta-analysis

## VERIFIED MASTER LITERATURE MATRIX

Table 2 provides a comprehensive Literature Matrix systematically cataloguing key empirical studies published in major international business journals on Chinese SME internationalisation, highlighting foundational frameworks alongside recent empirical contributions from 2020 through 2026.

**Table 2: Verified Master Literature Matrix on Chinese SME Internationalisation**

| Study / Author(s) | Context / Sample | Theoretical Framework | Core Variables / Focus | Methodology & Analysis | Key Empirical Findings |
|---|---|---|---|---|---|
| Wu & Deng (2020) | 319 private small and medium-sized enterprises (SMEs) in China | Institutional Escapism & Institutional Arbitrage | IV: Institutional escape orientation (due to domestic constraints).<br>DV: Target host country selection (distance) and foreign entry mode. | Quantitative survey data; Multinomial Logit Regression. | Private SMEs driven by domestic institutional constraints strategically escape by choosing host countries with high institutional distance and entry modes with low resource commitment (e.g., exporting) to achieve institutional arbitrage. |
| Pan, L., Fu, X., & Li, Y. (2022) | 781 exporting Chinese SMEs | Resource-Based View & Entrepreneurial Orientation | IV: SME participation in cross-border e-commerce (CBEC).<br>DV: Market innovation, technology and process innovation.<br>Mediator: Entrepreneurial orientation. | Quantitative panel data analysis; Multiple regression modeling. | SME participation in CBEC acts as a highly effective, low-cost, and high-control foreign entry mode. It has a direct positive impact on market innovation, and an indirect positive impact on technological and process innovation, fully mediated by the firm's entrepreneurial orientation. |
| Wang et al. (2024) | China's manufacturing export enterprises | Resource-Based View & Trade Theory | IV: Digital transformation.<br>DV: Business and export performance. | Quantitative; regression analysis of 1,007 Shanghai/Shenzhen-listed manufacturing export enterprises, 2012-2019. | Digital transformation of manufacturing export enterprises is positively associated with business and export performance. This is a general manufacturing-export finding, not specific to apparel or clothing SMEs. |
| Wang & Zhou (2025) | Chinese manufacturing enterprises participating in CBEC platforms, matched with | Platform Economics, Bilateral Network Theory, and Value Co-creation | IV: Cross-border e-commerce platform participation.<br>DV: Export product quality.<br>Mechanisms: Firm innovation capabilities, export product transformation, transaction matching efficiency. | Econometric analysis; Fixed effects estimation matched with micro-level Customs and | Participation in B2B CBEC platforms significantly improves the export product quality of |

| | | | | | |
|---|---|---|---|---|---|
| | customs and industrial enterprise data | | | Industrial Enterprise Databases. | manufacturing enterprises. The network effects of these platforms enhance internal innovation, facilitate product upgrading/transformation, and improve transaction matching efficiency. |
| Bao & Yang (2025) | Chinese small and medium-sized manufacturing enterprises (SMEs) | Institutional Legitimacy & Stakeholder Theory | IV: Environmental, Social, and Governance (ESG) information disclosure.<br>DV: Green innovation level.<br>Moderator: Firm-level digital transformation. | Quantitative panel data analysis; Moderated regression modeling. | Proactive ESG information disclosure significantly enhances the green innovation level of manufacturing SMEs. This relationship is strongly amplified and moderated by the firm's level of digital transformation. |
| Du & Huang (2025) | 332 Chinese SME exporters on Alibaba.com | Transaction Cost Theory / Digital Governance | IV: Digital Capability Mediators: Perceived Uncertainty, Transaction Costs DV: Export Performance | Quantitative Survey; Structural Equation Modeling (SEM) | Digital capability significantly reduces perceived uncertainty and transaction costs, driving export market expansion and improving export performance. |
| Zhang, J. & Donzé, P.-Y. (2026). | The internationalisation of Chinese apparel companies, 1990–2020. | | Patterns and direction of internationalisation (production, wholesale, retail); government influence; efficiency-seeking motivation. | Qualitative business-history analysis of firm case records, company archives and secondary/official data. | Chinese apparel firms share some internationalisation patterns with high-tech firms but show distinctive features: limited government influence, strong efficiency-seeking motivation, and a multidirectional expansion (production + wholesale + retail) that contrasts with the largely unidirectional pattern of Western fashion firms. |
| Liu, M. & Zhao, | 31 publicly listed Chinese | Institutional theory | Degree of internationalisation; formal and informal institutional | Fuzzy-set Qualitative | Three configurations lead |

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

| | | | | | |
|---|---|---|---|---|---|
| M. (2025). | textile and garment enterprises. | combined with degree-of-internationalisation / configurational (contingency) perspective. | distance; regional institutional environment; corporate innovation performance. | Comparative Analysis (fsQCA) of configurational (equifinal) causal paths. | to high innovation performance: (1) informal institutional-distance-oriented, high-depth internationalisation; (2) regional-system and informal-institution-oriented, low-experience type; (3) formal institutional-distance-oriented, high-depth type. Firms/governments should match internationalisation strategy to the institutional environment to raise innovation performance. |
| Yu, W., Ali, Z., & Hassan, A. (2025). | 271 SME managers from textile manufacturing firms across Zhejiang Province, China. | Dynamic Capability View (DCV). | Big Data Use (BDU); SME Export Performance (SEP); Business Strategy (BS) and IT Strategy (ITS) as joint moderators. | Quantitative survey; structural equation modelling (SEM) using Mplus. | BDU is positively related to export performance; BS and ITS jointly and positively moderate the BDU–SEP relationship, with high levels of both strategies crucial for boosting SME export performance and building supply-chain capabilities. |
| Tong, C., Lin, L., & Gao, W. (2025). | Chinese small and medium-sized green textile enterprises (SMGTEs). | Dynamic Capability View. | Supply chain resilience; dynamic-capability influencing factors; demand fluctuation, cost pressure and disruption risk. | Mixed methods: in-depth interviews to build a theoretical framework, followed by a questionnaire survey, factor analysis and statistical modelling to test it. | Dynamic-capability factors significantly affect supply chain resilience in Chinese SMGTEs; findings offer practical guidance for SMEs to sustainably strengthen resilience and market competitiveness. |
| Li, Y. & Zhang, Y. (2026). | 10 textile enterprises (fabric exporters) in China's Yangtze River | Supply-chain finance / trust-and-verification framework, operationalised | Cross-border trade financing; financing-cycle length; digital traceability; trust shifted from firm reputation to verifiable transaction data. | Comparative case study of 10 enterprises; design and evaluation of a blockchain + | The model cuts the financing cycle from an average of 18–25 days to just 5–7 days by grounding trust in |

INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

| | | | | | |
|---|---|---|---|---|---|
| | Delta region. | through blockchain and IoT technology design. | | RFID/IoT-based financing model. | tamper-proof transaction data; offers a viable technological pathway to ease the export-financing constraints of textile SMEs. |
| Qu, C. & Kim, E. (2025). | 20 organisations (enterprises, universities, apparel associations) in China's apparel-manufacturing sector. | Absorptive capacity / innovation-ecosystem theory (grounded, theory-building approach). | AI capabilities required; barriers to AI adoption; external knowledge-absorption capacity vs internal innovation capacity. | Qualitative: semi-structured interviews analysed via grounded theory, yielding 13 theoretical propositions. | Proposes a sustainable "AI-enabled Triple-Layer Innovation Ecosystem Framework" capturing the dynamic interplay between external knowledge absorption and firms' internal innovation capacity for micro/small/medium apparel manufacturers. |
| Qu, C. & Kim, E. (2025). | 269 top managers of apparel-manufacturing MSMEs in China. | Extended Technology Acceptance Model – Technology-Organization-Environment framework (TAM-TOE). | AI adoption; Knowledge Absorptive Capacity (KACAP); open innovation; technological/organisational/environmental antecedents (perceived usefulness, competitive pressure, market uncertainty, government support, organisational readiness, supplier involvement). | Quantitative survey; Partial Least Squares Structural Equation Modelling (PLS-SEM). | Model explains 60.7% of variance in AI adoption, 47.4% in KACAP and 55.4% in open innovation; AI adoption significantly influences open innovation, mediated by knowledge absorptive capacity. |
| Lan, T. & Zhang, L. (2025). | Chinese immigrant apparel manufacturers and entrepreneurs in Prato, Italy. | Global Value Chain (GVC) upgrading combined with transnational entrepreneurship / "global China" perspective (critiquing state-centrism and methodological nationalism). | Transnational entrepreneurship strategy; cross-national sourcing; brand-building; GVC position upgrading; vulnerability to discrimination and limited external finance. | Qualitative case-based/narrative analysis of Chinese apparel manufacturers straddling Italy and China. | Entrepreneurs strategically source from both countries and build original brands to upgrade their GVC position, but remain exposed to national/racial discrimination and a lack of external financial support; challenges cultural-essentialist "country-of-origin" narratives about global China. |
| Zhang, J. & Donzé, | The 10 largest Chinese apparel | Business-history / institutional- | Ownership transition; entrepreneurial strategy; changing institutional/regulatory | Historical qualitative analysis using | Different ownership types of firms leveraged |

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VIII August 2026

| | | | | | |
|---|---|---|---|---|---|
| P. (2026). | companies across four decades (1980–2020). | entrepreneurship perspective. | context. | published sources and official data. | shifting regulations and policies to dominate the industry in successive periods, highlighting the central role of entrepreneurial agency in the industry's structural transformation. |
| Rovai, S. (2025). | Three Italian luxury fashion companies entering/operating in the Chinese market (inbound internationalisation, used here for comparative theory). | Business Network Theory (relational/network model of internationalisation). | Business network relationships; market-entry mode; socio-cultural and political context-specific variables. | Qualitative multiple case-study approach. | Local business-network paths, shaped by socio-cultural and political actors, significantly affect entry strategy; extends network-based internationalisation models to account for "Chinese characteristics." |
| Iwasaki, F., Chokyu, A., & Ueki, Y. (2025). | Apparel-sewing SME cluster in the Kenpoku area of Iwate Prefecture, Japan, competing against China-made imports (comparative Asian benchmark case). | International business competitiveness-factors framework (six firm-level competitiveness factors). | Domestic vs. foreign production choice; competitiveness factors; OEM strategy; workforce multi-skilling; "Made in Japan" branding. | In-depth qualitative case study. | "Made in Japan" branding and multi-skilled, flexible workforces help SMEs survive competition from China-made products; most firms remain domestic-market-oriented OEM suppliers, though branding strategy could motivate future international market development. |
| Sadiq, M., Chien, F., Leong, M.K., Verma, S., & Miraz, M.H. (2025). | Full-time HRM-department employees (managers and staff) in Chinese fashion companies. | Digital entrepreneurship / resource-based capability perspective on circular economy. | Sustainable digital entrepreneurship; open innovation; green HRM; circular economy; knowledge-sharing and digital orientation as mediators. | Quantitative survey; Partial Least Squares Structural Equation Modelling (PLS-SEM). | Circular economy is positively associated with firms' open innovation and green HRM practices, but not directly with sustainable digital entrepreneurship; knowledge-sharing and digital orientation act as critical enabling mechanisms. |
| Doorano v, A., | Comparative case study of | Digital Transformation | Strategic innovation management; digital | Comparative case-study | Statistically significant cross- |

| | | | | | |
|---|---|---|---|---|---|
| Kang, F., Rasulova, N., Botobekov, A., & Kumskov, G. (2026). | SMEs and large firms in China (Huawei, Alibaba, Gree, a Smart Agriculture Park) and Kyrgyzstan (incl. Textile-Kyrgyzstan SME), 2020–2024 secondary data. | Capabilities (DCT) lens combined with regional innovation theory. | transformation capability; regional sustainable development; institutional and infrastructural conditions. | design with secondary statistical data, ANOVA with post-hoc testing, multicollinearity (VIF) diagnostics, PESTEL analysis and expert validation. | country differences: China shows faster digital-tool integration and more coherent, policy-enabled innovation ecosystems than Kyrgyzstan; DCT benefits materialise only when paired with financing, digital infrastructure and supportive governance, favouring hybrid strategies for resource-constrained regions. |
| Fonseca, M.J.S.D., Sousa, B.B., Carvalho, T.M., & Teixeira, A. (2025). | 10 Portuguese textile companies: 5 already operating in China and 5 preparing to enter the market (reverse-direction internationalisation, used for comparative theory/method). | Internationalisation theory integrated with destination-branding/image theory. | Internationalisation critical success factors; destination image; niche positioning; cultural adaptation. | Qualitative, inductive design; semi-structured interviews with two company groups; thematic analysis. | Success is associated with operating in the luxury segment, prior international experience and use of local intermediaries; entrants preparing to internationalise emphasise quality differentiation, brand authenticity and innovation as strategic advantages. |
| Blalock, E.C., Fan, Y., & Lyu, X. (2025). | 15 fashion entrepreneurs and 6 political elites within the Shanghai Fashion Entrepreneurial Ecosystem (SFEE). | Entrepreneurial Ecosystem (EE) governance framework, analysed through a feminist policy lens. | Governance effectiveness and inclusivity; gender dynamics; policy implementation; access to funding and networks. | Qualitative ethnographic case study with thematic analysis and policy triangulation. | Women fashion entrepreneurs perceive top-down governance of the SFEE as broadly effective and legitimate, but circumstantial gender roles still constrain access to funding and networking resources; study proposes a governance framework and feminist policy responses to strengthen women's entrepreneurship. |

# THEMATIC SYNTHESIS OF THE LITERATURE

The empirical literature catalogued in the matrix is synthesized across five core conceptual domains, synthesizing foundational research with recent empirical insights from 2024 through 2026.

### Institutional Drivers & State Policy Push

The institution-based view (Peng et al., 2008) asserts that formal and informal institutional frameworks directly shape firm strategy. Empirical research demonstrates that Chinese state policies act as primary catalysts for SME internationalisation. The Belt and Road Initiative (BRI) is associated with a positive formal-institutional push for SME export performance, though cultural friction attenuates this effect while cultural similarity with host markets strengthens it (Li et al., 2019). Formal state support and political connections are similarly associated with private firms' export-market entry and performance (Sharma et al., 2020), while business and political network ties moderate how international entrepreneurship characteristics translate into internationalisation (Zhang et al., 2016; Lu et al., 2014). For textile firms specifically, institutional-distance configurations, rather than institutional support alone, shape internationalisation depth and innovation performance, indicating that institutional strategy must be matched to context rather than pursued uniformly (Liu & Zhao, 2025).

### Digital Cross-Border E-Commerce (CBEC) Ecosystems

A prominent shift in contemporary scholarship is the transition from traditional offline trade fairs to digital cross-border e-commerce (CBEC). Cross-border digital platforms fundamentally disintermediate traditional trade networks, establishing direct, real-time feedback loops between exporting SMEs and international end-consumers. Wang and Zhou (2025) empirically demonstrate that active engagement with B2B e-commerce platforms directly upgrades the export product quality of manufacturing enterprises. By lowering initial entry barriers and market risks, CBEC platforms act as a high-control, low-cost entry mode that empowers SMEs to bypass traditional intermediaries and transition from low-end, price-based competitive lock-in to proactive brand globalization (Pan et al., 2022). For textile manufacturing SMEs specifically, big data use is positively associated with export performance, an effect strengthened further when paired with strong business and IT strategy (Yu et al., 2025).

### Dynamic Capabilities & Supply Chain Agility

Grounded in the Resource-Based View (Barney, 1991) and the Dynamic Capabilities framework (Teece et al., 1997), this stream examines how internal operational capabilities shape foreign-market adaptation. Wang et al. (2020) apply a Service-Dominant (S-D) logic showing that CBEC firms build competitive advantage by co-orchestrating information, logistics, and finance flows, with information-flow integration as the foundational capability that reduces transaction uncertainty and enables subsequent logistics and financial optimization. For textile SMEs specifically, dynamic-capability factors significantly affect supply chain resilience under demand fluctuation, cost pressure, and disruption risk (Tong et al., 2025), while AI adoption is reshaping innovation capacity in apparel manufacturing, though technical and financial barriers currently confine it to simpler product categories (Qu & Kim, 2025a, 2025b). Sequentially upgrading information, logistics, and financial capabilities is associated with improved trust and reduced transaction risk in CBEC relationships (Wang et al., 2020).

### Entry Mode Evolution & Institutional Escape

The literature documents a structural shift from passive exporting toward investment-based entry modes. Private emerging-market SMEs operate under severe resource constraints and are exposed to statist business environments that favour state-owned enterprises. To explain their rapid, non-sequential expansion, Wu and Deng (2020) develop an institutional escape perspective rooted in an institutional arbitrage logic. Institutional escapism is a strategic exit response to the misalignment between a private firm's needs and home-country institutional constraints. Private SMEs escape domestic constraints by targeting host countries with high institutional distance to leverage superior legal and regulatory quality. Crucially, Wu and Deng (2020) demonstrate that escape-driven SMEs systematically opt for low-resource commitment entry modes (e.g., exporting) in the early stages. This "institutional escape" mode allows resource-constrained firms to conduct institutional arbitrage without the massive capital exposure of outward foreign direct investment (OFDI). Over time, as firms develop capabilities, they execute an entry mode transformation (Wei et al., 2014). Zhang and Donzé's (2026a, 2026b) analyses of the largest Chinese apparel firms confirm this pattern empirically: internationalisation combined production, wholesale, and retail modes rather than a single trajectory, with limited government influence and ownership transitions driven mainly by efficiency-seeking entrepreneurial strategy.

**Foreign Trade Barriers, ESG Compliance, and COO Penalties**

Despite manufacturing efficiency, Chinese textile SMEs face increasing non-tariff trade friction. Empirical studies highlight stringent European Union environmental standards alongside persistent Country-of-Origin (COO) stereotypes in premium consumer segments (Lu & Beamish, 2001). Recent research indicates that emerging environmental and digital compliance requirements can function as additional non-tariff barriers for SMEs seeking access to developed markets, particularly where firms face difficulties in meeting data, traceability, and interoperability requirements. Digital Product Passports are one example, as they require greater transparency and product traceability across supply chains while imposing new implementation demands on firms (Ding et al., 2024). Bao and Yang (2025) demonstrate that proactive environmental, social, and governance (ESG) disclosures significantly enhance the green innovation level of manufacturing SMEs. Crucially, firm-level digital transformation acts as a powerful moderating mechanism that strengthens this effect, enabling SMEs to deploy digital tracing systems (such as blockchain-enabled material registries and IoT sensors) to satisfy strict circular economy mandates like the European Union's Digital Product Passport. Furthermore, establishing long-term customer brand loyalty requires mitigating perceived transaction risks. By integrating digital tracking, verified ESG green innovation, and direct-to-consumer platform channels, textile SMEs can successfully build international brand trust, offset COO penalties, and secure high-value sustainable growth. Despite manufacturing efficiency, Chinese textile SMEs face increasing non-tariff trade friction from environmental and digital compliance requirements. Digital Product Passports are one example, raising significant traceability and data-interoperability demands on supply chain participants, though evidence specific to Chinese textile exporters remains scarce (Zhang & Seuring, 2024). Bao and Yang (2025) show that ESG disclosure enhances green innovation in manufacturing SMEs generally, an effect strengthened by digital transformation. In the textile sector specifically, circular-economy practices are positively associated with open innovation and green HRM, mediated by knowledge-sharing and digital orientation (Sadiq et al., 2025), while blockchain-based trade-financing models can materially shorten SME financing cycles by grounding trust in verifiable transaction data rather than firm reputation (Li & Zhang, 2026).

## METHODOLOGICAL REVIEW & CRITIQUE

A critique of the research designs and sampling approaches in the small set of verified studies used in this Literature Matrix reveals some recurring patterns, though the limited number of verifiable studies means these patterns should be read as tentative rather than a rigorously quantified profile of the field. Several of the studies reviewed rely on quantitative cross-sectional surveys. These studies rely heavily on Structural Equation Modeling and multiple regression analysis to examine static relationships between independent variables, such as managerial ties or digital orientation, and firm export performance. Although cross-sectional frameworks effectively validate hypotheses at a single point in time, they suffer from common method variance and remain inherently limited in tracking long-term post-entry survival rates and dynamic strategic adaptations.

In addition to design constraints, the verified studies in this review skew toward mature Eastern coastal manufacturing hubs (e.g., Zhejiang, Jiangsu, Guangdong, Shandong) and toward Chinese manufacturing broadly rather than textiles specifically; the exact proportion has not been rigorously quantified given the small number of verified sources, and inland industrial clusters in central and western provinces are essentially absent from the verifiable literature identified for this review. This geographic imbalance creates an empirical blind spot regarding how small manufacturers in less-developed regions navigate domestic factor cost shifts and state-sponsored industrial relocation policies.

## STRATEGIC IMPLICATIONS & POLICY RECOMMENDATIONS

Synthesizing the cumulative findings of the literature provides several critical imperatives for executive leadership and policy planners. For SME decision-makers, surviving in volatile foreign markets requires adopting a multi-channel hybrid entry architecture that combines traditional wholesale original equipment manufacturing contracts with direct-to-consumer cross-border platform storefronts. This dual strategy balances stable cash flows with direct access to end-consumer market intelligence. Furthermore, enterprise managers must actively cultivate digital dynamic capabilities, investing in flexible pre-production technologies and establishing low minimum order quantity supply chains capable of executing rapid order fulfilments under strict deadlines. Proactively acquiring international green certifications and establishing digital supply chain traceability are likewise essential for defending market share in Western economies.

From a public policy perspective, government trade bodies and industrial association leaders must shift from direct monetary subsidies toward building shared public infrastructure. Municipal authorities in specialized industrial clusters should establish shared digital design centres, centralized testing laboratories, and regional logistics fulfilment hubs to lower initial expansion barriers for smaller manufacturers. Additionally, industrial policy should facilitate targeted green technology grants and low-interest transition loans, enabling resource-constrained SMEs to upgrade wastewater treatment facilities and adopt eco-certified raw materials required by international ESG standards.

## DIRECTIONS FOR FUTURE RESEARCH

Identifying theoretical and empirical gaps across past scholarship highlights four vital domains for future academic inquiry. First, scholars should examine the role of artificial intelligence and predictive algorithms in fashion supply chains, investigating how AI-driven demand forecasting alters product development cycles and market sensing speed. Second, future research must address geopolitical fragmentation and nearshoring dynamics, analysing how shifting trade alliances and Western supply chain diversification influence outward foreign direct investment decisions among emerging market SMEs.

Third, there is a pressing need to investigate circular economy models and closed-loop recycling compliance, dissecting the organizational transformations required for small garment manufacturers to satisfy stringent international zero-waste mandates. Finally, future scholarship should prioritize longitudinal panel datasets that track SME post-entry survival, profitability, and exit determinants over multi-year horizons, comparing long-term outcomes between platform-mediated digital modes and traditional offline export channels.

## REFERENCES

1. Bao, J., & Yang, L. (2025). Will ESG disclosure affect the green innovation level of SMEs? *Finance Research Letters*, *83*, 107656. https://doi.org/10.1016/j.frl.2025.107656
2. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120. https://doi.org/10.1177/014920639101700108
3. Blalock, E. C., Fan, Y., & Lyu, X. (2025). Analyzing the Shanghai fashion entrepreneurial ecosystem – A feminist policy response to governance challenges. *Journal of Fashion Marketing and Management, 29*(4).
4. Dooranov, A., Kang, F., Rasulova, N., Botobekov, A., & Kumskov, G. (2026). Adaptation of strategic innovation management to regional sustainable development: Lessons from global SMEs and the DCT approach. *Social Sciences & Humanities Open, 13*, 102658.
5. Du, X., & Huang, J. (2025). The influence of digital capabilities on the export performance of SMEs: evidence from China. *Asia Pacific Business Review*, 1–26. https://doi.org/10.1080/13602381.2024.2448472
6. Dunning, J. H. (1988). The eclectic paradigm of international production: a restatement and some possible extensions. *Journal of International Business Studies*, *19*(1), 1–31. https://doi.org/10.1057/palgrave.jibs.8490372

7. Fonseca, M. J. S. D., Sousa, B. B., Carvalho, T. M., & Teixeira, A. (2025). The internationalization of the Portuguese textile sector into the Chinese market: Contributions to destination image. *Tourism and Hospitality, 6*(3), Article 146.
8. Iwasaki, F., Chokyu, A., & Ueki, Y. (2025). Why are labour-intensive factories surviving in Japan? A case study of apparel sewing SMEs in the North Iwate. *Administrative Sciences, 15*(5), Article 154.
9. Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies, 8*(1), 23–32. https://doi.org/10.1057/palgrave.jibs.8490676
10. Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies, 40*(9), 1411–1431. https://doi.org/10.1057/jibs.2009.24
11. Lan, T., & Zhang, L. (2025). Made in Italy by Chinese: Fashionability and transnational Chinese entrepreneurs. *Chinese Journal of Communication, 18*(3).
12. Li, J., Liu, B., & Qian, G. (2019). The Belt and Road Initiative, cultural friction and ethnicity: Their effects on the export performance of SMEs in China. *Journal of World Business, 54*(4), 350–359. https://doi.org/10.1016/j.jwb.2019.04.004
13. Li, Y., & Zhang, Y. (2026). Cross-border trade financing model for textile SMEs based on blockchain: Taking the confirmation of accounts receivable of fabric exporters in the Yangtze River Delta as an example. *Textile and Leather Review, 9*.
14. Liu, M., & Zhao, M. (2025). Configurational analysis of the degree of internationalization and institutional environment on the innovation performance of China's textile and apparel enterprises. *Journal of Beijing Institute of Fashion Technology (Natural Science Edition), 45*(1).
15. Lu, J. W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal, 22*(6-7), 565–586. https://doi.org/10.1002/smj.184
16. Lu, J., Liu, X., Wright, M., & Filatotchev, I. (2014). International experience and FDI location choices of Chinese firms: The moderating effects of home country government support and host country institutions. *Journal of International Business Studies, 45*(4), 428–449. https://doi.org/10.1057/jibs.2013.68
17. Pan, L., Fu, X., & Li, Y. (2022). SME participation in cross-border e-commerce as an entry mode to foreign markets: A driver of innovation or not? *Electronic Commerce Research, 23*(4), 2327–2356. https://doi.org/10.1007/s10660-022-09539-7
18. Peng, M. W., Wang, D. Y. L., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies, 39*(5), 920–936. https://doi.org/10.1057/palgrave.jibs.8400377
19. Qu, C., & Kim, E. (2025a). Artificial-intelligence-enabled innovation ecosystems: A novel triple-layer framework for micro, small, and medium-sized enterprises in the Chinese apparel-manufacturing industry. *Sustainability, 17*(11), Article 5019.
20. Qu, C., & Kim, E. (2025b). Investigating AI adoption, knowledge absorptive capacity, and open innovation in Chinese apparel MSMEs: An extended TAM-TOE model with PLS-SEM analysis. *Sustainability, 17*(5), Article 1873.
21. Rovai, S. (2025). Building business network relationships in the changing Chinese context: Findings from Italian luxury companies. *Journal of Business & Industrial Marketing, 40*(4).
22. Sadiq, M., Chien, F., Leong, M. K., Verma, S., & Miraz, M. H. (2025). Toward a circular path: Integrating knowledge, open innovation, green HRM, entrepreneurship, and digital orientation in Chinese fashion industry. *Corporate Social Responsibility and Environmental Management, 32*(4).
23. Sharma, P., Cheng, L. T. W., & Leung, T. Y. (2020). Impact of political connections on Chinese export firms' performance - Lessons for other emerging markets. *Journal of Business Research, 106*, 24–34. https://doi.org/10.1016/j.jbusres.2019.08.037
24. Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal, 18*(7), 509–533. https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z
25. Tong, C., Lin, L., & Gao, W. (2025). A dynamic capability perspective on the influencing factors of supply chain resilience in Chinese small and medium-sized green textile enterprises. *Industria Textila, 76*(6).

26. Wang, F., & Zhou, Y. (2025). Cross-border E-commerce, platform economy, and export product quality. *International Business Review, 34*(5), Article 102466. https://doi.org/10.1016/j.ibusrev.2025.102466
27. Wang, Y., Jia, F., Schoenherr, T., Gong, Y., & Chen, L. (2019). Cross-border e-commerce firms as supply chain integrators: The management of three flows. *Industrial Marketing Management, 89*, 72–88. https://doi.org/10.1016/j.indmarman.2019.09.004
28. Wang, Y., Wang, T., & Wang, Q. (2024). The impact of digital transformation on enterprise performance: An empirical analysis based on China's manufacturing export enterprises. *PLOS ONE, 19*(3), e0299723. https://doi.org/10.1371/journal.pone.0299723
29. Wei, Y., Zheng, N., Liu, X., & Lu, J. (2014). Expanding to outward foreign direct investment or not? A multi-dimensional analysis of entry mode transformation of Chinese private exporting firms. *International Business Review, 23*(2), 356–370. https://doi.org/10.1016/j.ibusrev.2013.06.001
30. Wu, B., & Deng, P. (2020). Internationalization of SMEs from emerging markets: An institutional escape perspective. *Journal of Business Research, 108*, 337–350. https://doi.org/10.1016/j.jbusres.2019.10.037
31. Xie, Z., & Li, J. (2018). Exporting and innovating among emerging market firms: The moderating role of institutional development. *Journal of International Business Studies, 49*(2), 222–245. https://doi.org/10.1057/s41267-017-0118-4
32. Yu, W., Ali, Z., & Hassan, A. (2025). An empirical investigation for application of big data use in fostering export performance: A dual moderation model. *Business Process Management Journal*.
33. Zhang, A., & Seuring, S. (2024). Digital product passport for sustainable and circular supply chain management: A structured review of use cases. *International Journal of Logistics Research and Applications, 27*(12), 2513–2540. https://doi.org/10.1080/13675567.2024.2374256
34. Zhang, J., & Donzé, P. (2026a). Entrepreneurs and the structural transformation of the Chinese apparel industry, 1980–2020. *Journal of Evolutionary Studies in Business, 11*(1).
35. Zhang, J., & Donzé, P.-Y. (2026b). The internationalisation of Chinese apparel companies, 1990–2020. Business History. Advance online publication.
36. Zhang, X., Ma, X., Wang, Y., Li, X., & Huo, D. (2016). What drives the internationalization of Chinese SMEs? The joint effects of international entrepreneurship characteristics, network ties, and firm ownership. *International Business Review*, *25*(2), 522–534. https://doi.org/10.1016/j.ibusrev.2015.09.001