Protecting the Intangible: China, Intellectual Property, and the Dilemma of Market Commitment

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Abstract:

In recent decades, IP violation cases have gone beyond imitation of products and have extended to include operational processes and replication of entire business or service models. This paper will examine the impact of intellectual property risks on the market commitment decision of cross-border businesses. With this aim in mind, this study is contextualised within the fashion industry through application of a case study strategy across 4 Australian fashion businesses with current operations in China. Grounded within the Uppsala internationalisation process model, this paper aim to deconstruct the interplay between experience, uncertainty and market commitment. By doing so, this paper aims to enrich the little understood post-entry experience in international business strategic literature.

Research Problem & Significance

Intellectual Property Protection (IPP) is a priority concern as a key strategy to maintain the exclusivity of the firms’ accumulated resources, and securing the parameters of its competitive strategy (Peteraf 1993). The VRIO framework highlight sustainable, competitive resources and capabilities as those that are imitable, rare, valuable, and from which the firm is able to realise value through appropriate structure (Barney 1995). The development of such competitive advantages are typically resultant from continuous financial and temporal investment by the focal firm. IPP is an imperative tool that enable firms’ exclusive commercialisation from its unique sources of competitive advantage (Yang 2012). IPP and the significance of this, is consequently, synonymous with guarding financial performance, competitive position, market share and business sustainability (Wagner 2008).

Firms seek internationalization to either acquire additional capabilities from the foreign market or to extend commercialization of existing capabilities (Hymer 1976, Peng 2001). In the former scenario, IPP is imperative to avoid leakage of IP knowledge, resources and capabilities attained through foreign operations. In the latter, IPP is essential to safeguard existing assets and processes from violation. Zaheer (1995) argue the importance of firm-specific resources and organizational capabilities in aiding host country sub-units to overcome liability of foreignness costs. The
significance of IPP is further consolidated in this context, as an imperative that is inseparable to
sustaining and enhancing business performance of Multi-National Enterprises (MNEs).

Particularly in the context of firms operating outside of their home-market environment, both the risks
to IPP leakage and material implications of this are magnified. Unintended IP leaks cause not only
detrimental impact on a company’s reputation, profitability, but also provide the possibility to create
powerful local or even global competitors (Wagner 2008). IP violation cases have gone beyond
imitation of products and have extended in recent decades to include pirated operational processes and
replication of entire business and service models (Schotter and Teagarden 2014). In 2009, an Intel
engineer in China brought IP trade secrets to main competitor, AMD, about future Intel chip designs
and layouts. This IP theft was estimated at US $1.4 billion (Yang 2012). More recently, Apple Inc lost
its battle for rights to the ‘iPhone’ trademark in China, where the court ruled in favour of a local firm
to use this for leather goods. Apple Inc paid $60 million in settlement (Perez 2016). These cases
highlight the urgency, complexity and financial imperative behind IPP in the International Business
(IB) environment, and the inter-disciplinary significance of this for both practitioners and researchers.

Majority of the existing research pertaining to the topic of IPP remains to be law-related, with a focus
on prevention on the legal side, with little focus on the impact of this upon the dynamism of IB
strategy. The empirical studies which do focus on the management side of this IPP issue, is limited to
its focus on pre-entry strategy development, or restricted to solely the interplay of this with the host-
country institutional environment. Little focus has been appointed on the dynamism of this IPP issue
within a host-country environment upon an industry-specific foreign firms’ internationalisation
behaviour within this market.

Despite this gap in literature, IPP is a market-specific risk that is continuously pervasive amongst
businesses in the 21st century. In correlation with the rise of the digital economy, this IPP issue and
related the risk surrounding businesses’ ability to profit from its R&D investments, is escalating at a
rapid pace (Bodenheimer and Griffin 2014). Businesses are increasingly losing money over this, and
the fashion industry in particular, is under-threat because of its unique relationship to IP and blunt
display of IP design. In the past year, independent fashion designers including Alexander Wang and
Zhivago have all come to face with this issue (Clarke 2016, Birken 2016). The management of IPP has far surpassed its initial foundation in legal regulation.

The issue surrounding corporate protection from counterfeit phenomenon in particular, is a large and growing problem extracting costs from all stakeholders involved. The focal firm suffer from obvious loss of revenues as result of the increase in product supply by counterfeit competitors (Swike, Thompson and Vasquez 2008). Increased costs incurred from policing and fighting such pirated designs, as well as reduced growth from limited returns from R&D investments as result of copying all contribute to the pragmatic materiality of this issue for firms involved (Bodenheimer and Griffin 2014). In addition to these firm-specific losses, home countries of these firms suffer from loss in export, taxes and other revenues as well as employment (Rapp and Rozek 1990, Maskus 2000). Host countries may also suffer from a reduction in foreign direct investments in the long-run, as foreign firms may fear their products being copied once introduced into a particular market (Yang 2012).

This study shifts the focus from the existing focus in literature on legal stipulation and anti-counterfeiting prevention strategies, to the impact of this market-specific IP risks on firms’ post-entry international market commitment. Based on the Uppsala model, this study aims to discover: The impact of IPP regime in China on the market commitment of Australian fashion firms. How do Australian fashion companies modify their market commitment behaviour in face of the IP risks in China? In a host-market environment where institutional dynamics present a market-deficiency situation, this paper argues 3 possible scenarios which it aims to explore:

Following their experience in China, do Australian fashion companies:

Scenario 1: Deepen market commitment in China?

Scenario 2: Modify existing strategies and operations to:

a. Deepen market commitment in China?

b. Decrease market commitment in China?

Scenario 3: De-internationalize from China?
This paper aim to contribute to the IB internationalisation research field by firstly putting this important contemporary issue onto the map of internationalisation research. Secondly, by addressing the post-entry market experience to understand the impact of IPP regime on the dynamism behind international market commitment decisions.
LITERATURE REVIEW AND CURRENT RESEARCH SETTING

This literature review will begin by first examining the Uppsala perspective on internationalisation as the theoretical framework underpinning this study. The key Uppsala conceptual viewpoint towards market commitment is explored. This is followed by post-entry internationalisation dynamism. The conceptual foundation regarding IPP is then outlined, followed by an examination into existing empirical studies by prior scholars.

The Uppsala Model of Internationalisation Process:

The Uppsala model presents an internationalisation process composed of a series of incremental market commitment decisions, which are contingent upon the firm’s experiential learnings in the host-market (Johanson and Vahlne 1977). Three key assumptions exist in the Uppsala model’s approach towards knowledge-acquisition and its relationship with a firm’s internationalisation behavior and these are explored in the following paragraphs.

First, the basic assumption of the Uppsala Model is that a firm’s lack of market-specific knowledge about the foreign, host-country market is an important obstacle to the development of international operations (Johanson and Vahlne 1977). Such knowledge can be acquired, however because of the tacit character of this knowledge, a firm’s main source of acquiring this knowledge is inevitably through its own operations in the market (Johanson and Vahlne 1990). By doing so, the firm not only acquire the necessary market information, but simultaneously become closely connected to the market in such a way that it is difficult to use its resource for other purposes. This forms a phenomenon labeled as ‘intangible commitment’ towards the market (Hadjikhani 1997).

The second assumption of Uppsala model is that decisions towards foreign investments are made incrementally, because of market uncertainty. This assumption is significant in underlining the Uppsala model’s emphasis towards risk mitigation in firms’ internationalisation behavior. As there is a perpetual inability for a firm to attain complete knowledge of the host market (Figueira-DeLemos, Johanson and Vahlne 2011). The Uppsala model propose that firms postpone each successive step into a certain host-market, until the perceived risk associated with the new investment is lower than
the maximum tolerable risk (Johanson and Vahlne 1988, Forsgren 2002). In other words, “the more
the firm knows about the market, the lower the perceived market risk will be, and the higher the level
of foreign investment in that market” (Forsgren 2002, p259). Towards internationalisation, the
Uppsala perspective perceived risk as primarily a function of the firm’s own level of market
knowledge acquired through its prior experience (Figueira-DeLemos, Johanson and Vahlne 2011).
Consequently, there exists a balance between uncertainty and opportunity in the model’s contingency
nature towards internationalization.

Third, the Uppsala model inherently underline knowledge to be dependent upon individuals, and
therefore is difficult to transfer to other individuals and contexts (hence a need for experiential
learning in host-market). Consequently, the problems and opportunities intrinsic to a certain market
will be discovered primarily by those who are working in the market. This experience then generate
business knowledge, opportunities, and thus work as a driving force in the process of
introduced the concept of liability of outsidership, pertaining to the uncertainties that attribute to not
being able to successfully gain acceptance into the host-market business networks, and the resultant
costs from loss in knowledge and local opportunities. In this way, the Uppsala model draw a push-
and-pull effect between firms’ experience and their decisions towards committing further in the host-
market; experience generates business opportunities and is a driving force in the internationalization
process (Johanson and Vahlne 2009).

The authors highlight a dynamic, cyclical internationalisation process whereby the outcome of one
cycle of events constitutes the input to the next. The dynamism of the internationalisation process is in
this way captured through the interplay between the model’s four core concepts; market knowledge,
market commitment, commitment decisions and current activities (Johanson and Vahlne 2006). The
Uppsala model underline that a firm’s market knowledge and market commitment at a certain point of
time, will in turn hold impact on the commitment decisions and the way which activities are executed
in the subsequent period. This then consequently, influence the market knowledge and market
commitment decisions made at later stages (Johanson and Vahlne 1990).
The concept of market commitment is explicated as the product of two factors – the amount of
resources committed and the degree of inflexibility of such commitment (Johanson and Vahlne 1977).
The size of resources committed could be operationalized as the size of investment pertaining to
marketing, organizational or personal activities (Johanson and Vahlne 1990). The latter element of
this market commitment concept share similarity with the economic concept of sunk cost. The degree
of inflexibility refers to the difficulty of finding an alternative use for the specific resources
committed to this market, and the difficulties of transferring these to an alternative use (Johanson and
Vahlne 1977).

The basic pattern of a firm’s internationalisation process is grounded upon the assumption of
incrementalism and in accordance to the so called chain of establishment (Johanson and Vahlne
1990). Additional market commitment, in addition to being influenced by prior experience and
knowledge, will be made in small, incremental steps. Firms are predicted: (1) to start or continue to
invest in just one or in a few neighboring countries, rather than investment into several countries
simultaneously. (2) Market commitment levels in a specific host-market are carried out cautiously,
sequentially and concurrently with the learning and experience of the firm’s people operating in that
market (Johanson and Vahlne 2009). The decision to commit resources to foreign operations is
grounded upon the firm’s knowledge from experience in the host market. There is a perpetual absence
of an inability for a firm to attain complete knowledge of the host market (Figueira-DeLemos,
Johanson and Vahlne 2011). Therefore, constituting to the aforementioned balance between
uncertainty and opportunity in the model’s contingency nature towards internationalization.

The model has achieved much acclamation in the IB field and has formed the basis for a large body of
empirical studies. Much focus have drawn on the establishment chain observation from the original
research (Childs and Jin 2014, Paloma and Rugman 2015). Many scholars have also underlined the
model’s leaning towards deterministic internationalization growth pattern, or categorized this as a risk
mitigation model (Mats and Peter 2007, Jorge, Angela and Jorge 2008). However, this contingent
feature of the Uppsala model remains little-developed, particularly in the research on
internationalization process (Forsgren 2002, Figueira-DeLemos, Johanson and Vahlne 2011).
Although much celebrated for its dynamic approach towards firm’s internationalisation process, the model is not without limitations. The theoretical development of the Uppsala model focus narrowly on the core idea concerning a sequential chain of experiential knowledge, whilst as brought forward by later scholars, there exist multiple influencing factors which may contribute to this pattern (Andersen 1993, Axinn & Matthyssens, 2002; Olejnik & Swoboda 2012). Anderson (1993) challenges the generalisability of the Uppsala model by asserting that its perspective towards the internationalisation process lends itself to a somewhat intuitive understanding, one that only hold constant at a considerable degree of abstraction. Rather, the boundary assumptions necessary to allow for this generalisability remains inadequately understood, particularly at a lower level of abstraction (Engwell and Wallenstal 1988, Forsgren 1989). What happens if this seemingly straightforward relationship between knowledge and market investment behaviour is dissolved? Moreover, in host-environments where the institutional dynamics are subject to constant evolvement as opposed to the stable, no-change environment seemingly assumed by the model; what impact would this hold on the incremental market commitment process when host-environmental factors put its key competitive leverage (IP) under threat?

**Post-Entry Experience Importance**

To a large extent, the extant literature on internationalization have drawn focus upon two aspects; the selection of foreign markets in which firm chooses to conduct IB, and the entry mode used to do so (Agndal and Chetty 2007). However, the fact that internationalization is a *process* distinctly denote both the dynamism and fluidity of activities therein. Ergo, the market commitment towards internationalization may increase, decrease, or even stagnate post-entry experience (Johanson and Vahlne 2009, Welch and Paavilainen-Mantymaki 2014). There is a significant literature need for more focus on the dynamism behind post-entry internationalisation process.

Existing studies in this literature has remained its focus on the initial IB entry. This area of under-research in IB suggest the need for extension into understanding how IB firms sustain operations following this first step (Morgan-Thomas and Jones 2009, Prashantham and Young 2011). Welch and Paavilainen-Mantymaki (2014, p14) highlight this imperative for focus to be put on understanding
post-entry development, as it will allow “greater insights into how firms adapt, augment and entrench their initial institutional arrangements”.

**Previous Empirical Studies on IPP**

IP covers the entire area of legal rights over a creation of the mind, across multi-dimensional forms including patents, trademarks, industrial designs, patents and utility model (Yang 2005). This gives the owner exclusive rights over any form of commercial exploitation of this, protecting him/her/it against unfair competition within defined geographic and temporal parameters (Wagner 2008).

The international complexity of this issue has brought forward efforts from actors including WTO and WIPO to harmonise IP system discrepancies between countries, however IPP complexities has long past its origination in legislative stipulation (Schotter and Teagarden 2014). Although treaties, conventions and agreements (TCAs) aid in guiding IP stipulations amongst member states, execution and administration surrounding IPP remain at the regional level (Yang 2012). IPP is therefore a complex hybrid of both legal and management challenges (Turner 2000). Therefore, for multi-national enterprises (MNEs) IPP is impacted by forces from both its formal and informal institutional contexts.

*IPP and Host-Country Environment*

Prior scholars have illustrated strong associations between a country’s national culture and its overall IP protection behaviour, perception and understanding. Marron and Steel (2000) concluded from their study of IP piracy rates across 70 countries that those with higher collectivism levels tend to also encompass higher rates of IP violation. This was further supported by Depken and Simmons (2004), who found the combination of high power-distance and collectivism led to highest propensity of IP violation activities. On the opposite end, Shore et al (2001) underline national cultures with high levels of uncertainty-avoidance, individualism and masculinity, present the optimal environment in which IP violation behaviour was found at its minimal point.

Kuanpoth (2002) argued for the influence of political, religious and legal backdrop as catalyst for its people’s IP behaviour. Mao’s Communist Regime put emphasis on state ownership, social harmony
and against the mindset of private monopoly and exclusive private gain (Kuanpoth 2002). The Confucian and Taoist ethics prevalent across China amongst other Asian countries advocate for imitation as legitimate tool for learning, by inputting original thoughts onto the learnings from others (Chan 1999). Traditionally, the law is perceived as inefficient, ineffective and unnecessary according to Confucius, as people should be governed by morals over chastisement (Alford 1995). The monopoly of an IP resource at the exclusivity of others, is therefore, viewed as disagreeable to moral standards (Yu 2001).

Existing research confirms the unneglectable impact of host-country environmental factors on IP issues. Prior scholars have identified a plethora of important factors that hold significant influence on the understanding of, attitude towards, and ultimately, behaviour towards IPP issues. A number of cultural dimensions are associated with IP, and in particular, with counterfeit issues as a cultural by-product.

Although prior scholars have put focus on strategy development to counteract IP violation and leakage, there exists a gap in literature for more empirical evidence in a simultaneously industry-specific and nation-specific context. Tactics devised by prior scholars towards mitigating this market-specific IP risk provide good foundation, yet these remain vague given their lack of industry-context. Such an investigation will aid to provide insights into the process, experience, points of challenges and opportunities of operating in an institutionally complex IPP environment.

IPP & MNEs:

Harvey (1987) proposed a three-step framework to address the problem of IP leakage and violation. *Awareness* involve information dissemination to alert stakeholders the existence of the counterfeit issue. *Action* entail media influence and dedication of human resources. *Assertion* is inclusion of government and lobbying for enforcement (Harvey 1987). Delener (2000) extended this framework to include product monitoring and modification. Olsen and Granzin (1993) argued the need for corporate-action over government reliance and court proceedings due to resource constraints. Somaya
(2003) further support this by highlighting that legal recourse require disclosure of sensitive and valuable information.

Most recently, Schotter and Teagarden (2014) proposed two categories of IP protection tactics within the Chinese context; externally focused defensive practices and internally focused practices. The first noted importance of aligning reason for entry with corporate objective, preliminary understanding of environment (legal, cultural, political) and interest alignment with host country stakeholders. The latter underline physical separation of manufacturing and R&D process, employee education, people management systems (IP leakage), positive corporate social responsibility to attract good talent (Schotter and Teagarden 2014).

The deficiency within these studies, is the lack of inclusion of host country environment and the unique institutional complexities therein, which impact on both the appropriateness and effectiveness of IPP strategies. It can be argued, that without country-specific parameters throughout IPP research, such assumptions made towards generalisability do not adequately portray an accurate perspective of market-specific risks necessary.

Moreover, these strategies were concluded through an aggregated sample of firms from various industries. This aggregation of multi-industry data does not put into context the industry-specific product form (food, software, hardware etc), its related IP form for protection, business performance measures or competition intensity. All of which hold direct influence on the parameters required in the development and effectiveness of corporate IP protection tactics (Yang 2012).

**IPP and the Fashion Industry**

The fashion industry hold unique characteristics in its interaction with IP related issues, which accentuate both its significance to business as a competitive resource, and the difficulties in the protection of this.

The fashion industry is one where IPP is imperatively linked to financial performance yet simultaneous alarming in its vulnerability (Lindgren, Sinclair and Miller’s 2010). Pricing is dependent
entirely on the exclusivity of its IP; product design and creativity, not product function. In contrast to more conceptually sophisticated industries, the fashion industry is one where market-value, brand equity and organisational reputation are all primarily a function of its IP right to design. Products across this industry serve the exact same purpose, and products produced by competitors across this market-place are all equally capable of fulfilling its primary utility. Customers’ perception of value is contingent purely upon this “product of the human mind” (Yang 2012, p 111). Yet the ease of imitability of these products brings forward battleground for IPP.

The lack of boundary between the intangible (IP right to creation) and tangible (manufactured product) provides a situation where IP rights can easily by infringed either intentionally or inadvertently (Yang 2012). There is minimal barrier to IP accessibility, unlike the food manufacturing industry, where IP is embodied throughout a process (recipe) that is partitioned within the institution, with controllable access amongst few persons, and away from external stakeholders (Turner 2000). Unlike I.T. related firms, the fashion industry is more susceptible to IP violations due to lower barrier of manufacturing capabilities required for imitation of its IP offerings (Bosworth and Yang 2002). These features accentuates the fashion industry’s vulnerability. This vulnerability concerning IPP is particularly prevalent amongst emerging economies, where insufficient technology capabilities may inhibit ability to imitate offerings of more sophisticated product forms.

CHINA AS RESEARCH CONTEXT

What is interesting about China as a host-market environment is that market-specific knowledge in relation to its formal institutional framework towards IP is not enough to navigate the IPP environment. Formal institutions alone do not allow full protection of a firm’s IP design. China aspires to be a technological powerhouse by 2020 and a global technology leader by 2050 (Schotter and Teagarden 2014). This national objective has catapulted a rapid introduction of the IPP system to attract foreign innovators, businesses and encourage technological transfer (Yang 2003). The Chinese government’s plan towards indigenous innovation is defined as to “enhancing original innovation through co-innovation and re-innovation based on the assimilation of imported technologies... by
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China for China” (Schotter and Teagarden 2014, p42). This present a significant competitive threat to foreign companies.

In addition to such susceptible threat to IPP, the Chinese environmental context produce significant uncertainty for firms in regards to their internationalisation decision. This threat is further magnified for firms expanding from developed markets into this emerging market, with poor formal institutions on top of a culture of “learning through imitation” (Yang 2009, p764). This is a market with a combination of poor formal and informal imperfections. A market deficiency situation where focal firms are at risk of being copied and losing their source of advantage. These institutional imperfections bring additional transaction and production costs to internationalization (North 1991). Knowledge of legislative enforcement alone is not enough.

What are firms’ internationalisation behaviour when the previously assumed linear relationship between knowledge, experience and market commitment is elapsed under such an institutionally incongruent environment?

**RESEARCH AIM AND QUESTION:**

IPP cross-borders and the management of such uncertainties surrounding this throughout internationalization remains an underexplored area. Grounded in the Uppsala internationalization process model, this thesis aims to explore the impact of the IPP regime in China on a firm’s market commitment.

This research will focus on operation of Australian fashion companies in China. Three key conclusions can be drawn from literature review and accordingly inform this study. First, there is an imperative to investigate the post-entry experience of IB firms. Second, the host country environment are significant and important for effective IPP. This hold significant influence on IPP perception and behaviour, which thus influence IPP tactics and firm experience. Third, different industries require different IP forms because of different IP resource characteristics (i.e. process, product). As such, they face different IP problems in protection against leakage. All of aforementioned factors impact on firm
experience, learning and uncertainty assessment, and consequently hold impact on its market commitment decision.

As concluded in the previous chapter, the Uppsala model brings forward a seemingly straightforward assumption towards the relationship between experiential learning, knowledge and internationalisation investment behaviour. However, given the multi-faceted risks facing Australian fashion companies when expanding into an imperfect host market environment in China, do firms still internationalise in accordance with the Uppsala pattern?

In line with this, this research is guided by research question of: What is the impact of the IPP regime in China on the market commitment of Australian fashion companies?

This thesis argues 3 possible scenarios which it aims to explore.

Following their experience in China, do Australian fashion companies:

Scenario 1: Deepen market commitment in China?

Scenario 2: Modify existing strategies and operations to:

a. Deepen market commitment in China?

b. Decrease market commitment in China?

Scenario 3: De-internationalize from China?

RESEARCH METHODOLOGY AND METHODS

Constructivism:

This thesis is founded in constructivism, whereby construction of knowledge and reality is construed inextricably by actors’ interactions with the wider social system (Creswell 2009). The Uppsala model, with its focus on market commitment as a function contingent upon firm experience and learning within the host country context, share similar epistemological grounding as this perspective (Johanson
There is accordingly effective alignment between the theoretical grounding of this thesis with its research epistemology.

**Qualitative Case Study & Questionnaire:**

This study seeks to understand how complexities surrounding IPP regimes in China impact on market commitment decision amongst Australian fashion companies. Prior literature has underlined this as an under-researched area in need for industry-specific empirical data as foundation for further understanding and more sophisticated research.

The qualitative case study approach is proposed as the methodology to drive this exploratory investigation and derive context-dependent knowledge (Flyvbjerg 2006). The case study approach is well suited for in-depth understandings into the “rich ambiguity behind a contemporary phenomenon” (Yin 1994, p24), to which the boundaries with its contextual backdrop are blurred (Gibbert and Ruigok 2010). The effective alignment of this with the research question is further underlined in its ability to uncover explanatory realities through illumination of the how and why questions behind the market commitment decision (Gibbert and Ruigok 2010). Ying (1994, p13) further consolidate the appropriateness for this approach as for when the “number of variables of interest far outstrips the number of data-points”.

In order to boost confidence of the findings, analytic generalisation will be adopted in addition to qualitative comparative analysis between cases (Mitchell 1983, Small 2009, Yin 2013). Rather than pursuing sample-to-population logic in exploration of this contemporary issue, analysed data generated from the case studies will be extracted and consolidated into questionnaires to be administered to more fashion companies across Australia (Yin 2013). This enable findings from the multiple case studies to be applied to new situations and limit “abstract theory building” (Yin 2013, p325).

**Data Collection and Strategies to Validate Findings:**

*Case Selection Process:*
Four Australian fashion companies will be selected through database of the Export Council of Australia (ECA). Firstly, via selection through this database, this underline a standardisation of legitimacy across the sampled companies in its domestic context. Secondly, this allows triangulation through publicly available survey data and historical documents to test validity of findings. The justification for exclusion of ‘independent’ fashion companies is due the typical presumption amongst actors of researcher’s search for evidence ‘against’ China’s IPP regime. This has been the perception of a number of actors the researcher has approached thus far. Therefore, by approaching these companies via the ECA, the researcher present an impartial perception amongst interviewees to encourage transparency and objectivity. Data collection will involve minimum of two verbal interviews, contingent upon direction of insights obtained and need for response verification at later stage.

Secondly, informed by the Uppsala Model, extreme cases (Scenario 1: continue, and Scenario 3: exit internationalisation) and more typical cases (Scenario 2a and 2b: strategy modification) are integrated in the case selection process. This theoretical sampling allow selected cases to most effectively capture the variance across this phenomenon to allow collation of thick, rich and emergent insights (Eisenhard and Graebner 2007, Flick 2007).

**Interviewee Selection:**

Verbal interviews allow a highly efficient way to collate rich, empirical data when such phenomenon is complex and unique (Eisenhardt and Graebner 2007). They do however, also pose limitations by eliciting avoidance behaviour towards questions encompassing sensitive information (Flick 2007). To overcome this, the researcher will put focus on clear communication of anonymity of persons involved, the project as an objective, value-adding document for strategy development, and rapport-building prior to questions as a method to relieve uneasiness. To further mitigate this bias, two knowledgeable informants are sought to give insight into the research question from different perspectives (Eisenhardt and Graebner 2007). The aforementioned triangulation with data from
Australian IB Survey further mitigate this bias by combining retrospective and real-time cases (Flick 2007). The researcher will keep a reflective journal throughout data collection and analysis process to sustain objectivity towards the study.

We are interested in the institutional decision-making towards market commitment as response of Chinese IPP regime. The interviewees are therefore selected based on their hierarchical position and expertise. The CEO will be interviewed given his autonomy towards strategic direction. The purpose of this is to explore his perception of institutional complexities in host market, rationale behind tactics, and experience in dealing with co-ordination across-borders. The business development manager responsible for Chinese operations will also be interviewed to allow for multi-level perspective. The purpose of this is to capture the realities of strategy implementation, experience of operations in host market, and insight into opportunities and challenges impacting commitment decisions. The theorised responses from literature include influence of market experience, country environment and industry customisation.

**Data Analysis:**

Aim of the research is to generate further understanding into an under-researched contextual arena. Therefore, the categories for coding via NVivo are analysed in an iterative process from empirical material to generate conclusive meaning (Eisenhardt and Graebner 2007). Constant data comparison of is to be conducted on two levels; within case and between cases. Within case analysis aim to understand ways which IPP regime have affected market commitment decisions in specific contexts. Between-case comparisons aid examination of experience consistency to discern common themes (Flick 2007).

**Expected Results:**

This thesis aims to explore three potential scenarios which may follow Australian fashion firms’ post-exposure to the IPP environment in China. Prior literature provide basis to assume that interviewees’ inclination towards additional costs to business as result of the significant cultural barrier and liabilities of foreignness from operation in the Chinese market. The IPP risk in China is expected to be
a negative uncertainty, and thus give reason to firms’ moving towards de-internationalisation from the market. However, the dynamism behind this market commitment decision is unknown.

**Significance of Study:**

This paper aims to enrich IB theory by furthering understanding of the dynamism of post-experience decision making. Secondly, it provides empirical material in the under-researched arena of IPP of Australian fashion companies operating in China. By doing so, this paper also generates pragmatic industry-specific knowledge for practitioners through IPP insights. Finally, as the findings of this study are discerned from the perspective of foreign business decision-makers, this paper also contributes to aid policy-makers in identifying key points of pain and conflict. Given the economic significance of IPP to China as an emerging economy with such ambitious innovation objectives, these insights hold great value, and can be used to enhance IPP policy and convergence in understanding.

**Anticipated Ethical Issues**

The researcher acknowledges the ethical concern from the perspective of employees involved in data collection about sensitive company information. The researcher will make every effort to mitigate unfair employee chastisement through clarification with CEO in regards to the objective value of this project as a tool for the firm’s future strategy development. Anonymity of persons involved in study will be maintained throughout. All copies of transcript and other data records will be kept in the researcher’s supervisor office at the University of Sydney.

**Delimitations**

While this study does not gather data at different points in time, this research approach requires interviewees to reflect on firm’s experience over time. However, due to temporal constraints, researcher was unable to adopt a longitudinal case study approach. Further research may wish to extend this study through this process-approach to incorporate time, dynamism and longitudinal observations. This will further develop understanding of impact of IPP regimes on market commitment decisions throughout internationalisation process.
References:


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