

Business Incubation as a Method of Foreign Market Entry

Giles David Blackburne

Submitted in accordance with the requirements for the degree of
Doctor of Philosophy

Leeds University Business School

The University of Leeds

August 2014

Intellectual Property and Publication Statement

The candidate confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others.

This copy has been supplied on the understanding that it is copyright material and that no quotation from the thesis may be published without proper acknowledgement.

The right of Giles David Blackburne to be identified as Author of this work has been asserted by him in accordance with the Copyright, Designs and Patents Act 1988.

© 2014 The University of Leeds and Giles David Blackburne

Acknowledgements

This research could not have been carried out without the access to case study firms and organisations provided by China-Britain Business Council (CBBC). I would like to thank my colleagues, and former colleagues, at CBBC for all their support. Thanks also go to those users and former of users of CBBC's Launchpad scheme who cooperated with this research.

The author is grateful for the guidance and critical comments from Professor Peter J Buckley OBE, Centre for International Business University of Leeds and Professor Adam Cross, International Business School Suzhou (IBSS) at Xi'an Jiaotong-Liverpool University (XJTLU). Finally, I would like to extend special thanks to my family for their support.

Abstract

Despite international business incubators becoming more widespread in recent years, knowledge about the role they can play in helping a firm to enter a foreign market is limited. Drawing upon interviews with 47 managers from 24 firms and organisations that have used an international business incubator operated in China by UK export promotion organisation the China-Britain Business Council, this research finds that the low risk, high control environment offered by business incubation can reduce the overall cost of commitment for entering a foreign market and thereby trigger a firm's decision to enter it when such a move would otherwise be considered too risky or costly. Furthermore, during the business incubation process, the firm is able to benefit from an infusion of foreign market knowledge, network expansion and business development support, which provides it with the confidence to exit the business incubator and make a full market commitment of its own. In doing so, business incubation can reduce the liabilities of foreignness experienced by the firm, and give rise to an accelerated, low risk and controlled foreign market entry process.

These findings extend theory from the international business studies literature into the domain of business incubation. They also extend and apply theory from the business incubation literature (until now concerned with company growth and development in home markets) to the internationalization of the firm. The findings are particularly relevant for SMEs (small and medium-sized enterprises) seeking ways to overcome the fears and challenges of entering into promising but 'difficult' emerging markets, such as China. The findings also have implications for policy makers seeking effective methods to support the international business and trade activities of firms and organisations.

Table of Contents

Intellectual Property and Publication Statement.....	ii
Acknowledgements.....	iii
Abstract.....	iv
Table of Contents.....	v
List of Tables.....	xiv
List of Figures.....	xviii
List of Boxes	xix
Chapter 1: Introduction.....	1
1.1 Chapter overview	1
1.2 Research rationale	1
1.3 Research aims, objectives and questions	2
1.4 Theoretical contributions of the study	4
1.5 Implications for practitioners and policy makers	5
1.6 Structure of this dissertation.....	6

Chapter 2: Business incubation and internationalization.....	8
2.1 Chapter introduction.....	8
2.2 The business incubators and business incubation literature.....	8
2.2.1 How business incubators emerged.....	9
2.2.2 What business incubators are	9
2.2.3 Categories of business incubator	10
2.2.4 International business incubators and incubators for foreign market entry.....	12
2.2.5 The business incubation process.....	15
2.2.6 Business incubation, networks and social capital	17
2.2.7 Business incubation and entrepreneurship	20
2.2.8 Business incubators and policy.....	21
2.2.9 Business incubator evaluation, measures of success and performance.....	22
2.2.10 Conclusions of the business incubator/incubation literature review	24
2.3 The foreign market entry mode and internationalization literatures.....	26
2.3.1 Terminology	26
2.3.2 Foreign market entry modes.....	27
2.3.3 Characteristics of the main types of foreign market entry modes.....	29
2.3.4 Foreign entry mode flexibility and switching.....	32
2.3.5 Theoretical approaches to choice of foreign entry mode	34
2.3.6 The economics-strategy stream	34

2.3.7	The process-oriented stream.....	37
2.3.8	Foreign market entry and policy.....	41
2.3.9	Conclusions of foreign market entry and internationalization literature review.	42
2.4	Synthesis of business incubation and international business literatures	43
2.5	Chapter summary	47
Chapter 3: Research design and methods		48
3.1	Chapter introduction.....	48
3.2	Epistemological and methodological approach.....	48
3.2.1	Critical realism	48
3.2.2	Case study methodology	50
3.2.3	Reflexivity and positionality	51
3.3	Unit of analysis.....	53
3.4	Case study selection.....	53
3.5	Interviews.....	58
3.5.1	Interview scheduling.....	59
3.5.2	Interview protocol design.....	62
3.6	Data analysis	67
3.6.1	Within-case analysis	67
3.6.2	Cross-case analysis	68
3.6.3	Display of data.....	69

3.7	Chapter summary	71
Chapter 4: Research setting		73
4.1	Chapter introduction.....	73
4.2	Business incubation setting: The Launchpad scheme.....	73
4.2.1	Introduction to the Launchpad scheme	73
4.2.2	Origins of the Launchpad scheme.....	74
4.2.3	Launchpad as a business incubation scheme	76
4.3	Foreign market setting: China.....	77
4.3.1	Background to the Chinese market.....	78
4.3.2	Liabilities of foreignness faced by foreign firms in China.....	79
4.4	Chapter summary	83
Chapter 5: Why firms choose international business incubators.....		84
5.1	Chapter introduction.....	84
5.2	Market entry antecedents	85
5.2.1	China market entry drivers	85
5.2.2	Perceived foreign market entry challenges.....	87
5.2.3	Summary of perceived market challenges.....	94
5.3	Risk.....	95
5.3.1	Display of data: risk	95
5.3.2	Business incubation as a low risk environment for initial set-up	95

5.3.3	Business incubation as a low risk means to test the market	97
5.3.4	Business incubation as a low risk means to withdraw from the market.....	98
5.3.5	Summary of risk findings	100
5.4	Control	101
5.4.1	Display of data: control	101
5.4.2	Business incubation and control over a person located in the market.....	102
5.4.3	Boundary workers	104
5.4.4	Business incubation and control over costs	106
5.4.5	Summary of control findings	107
5.5	Options thinking	108
5.5.1	Display of data: options thinking	108
5.5.2	Strategic options	108
5.5.3	Long term pay-off	111
5.5.4	Summary of options thinking findings.....	112
5.6	The foreign market entry decision.....	113
5.6.1	Display of data: the foreign market entry decision	114
5.6.2	Decision-making and risk.....	114
5.6.3	Decision-making and cost	117
5.6.4	Decision-making and the immediacy of foreign market entry	119
5.6.5	The market entry catalyst function of business incubation	121

5.6.6	Summary of decision-making findings	123
5.7	Theoretical discussion	125
5.8	Chapter summary	128
Chapter 6: International business incubator benefits.....		130
6.1	Chapter introduction	130
6.2	Knowledge	130
6.2.1	Display of data: knowledge accumulation	130
6.2.2	Market knowledge facilitated by the local manager	131
6.2.3	Knowledge acquired through peer-to-peer incubatee interactions.....	134
6.2.4	Cross-firm familiarisation with the foreign market	138
6.2.5	Knowledge building.....	142
6.2.6	Summary of knowledge findings.....	143
6.3	Networks.....	145
6.3.1	Display of data: networks.....	145
6.3.2	Network building by the firm	145
6.3.3	Network and credibility building via the link with the incubator	148
6.3.4	Summary of network building findings	151
6.4	Support services from the incubator	153
6.4.1	Physical space.....	153
6.4.2	Recruiting a manager	153

6.4.3	Administrative support.....	154
6.4.4	Summary of business incubator support services	155
6.5	Theoretical discussion	155
6.5.1	Knowledge	155
6.5.2	Networks	157
6.6	Chapter summary	158
Chapter 7: Business incubation and the internationalisation experience.....		160
7.1	Chapter introduction	160
7.2	Display of data: exit and post exit development	160
7.3	Commercial benefits.....	160
7.4	Exit trigger	163
7.4.1	Exit trigger to set up an entity.....	163
7.4.2	Exit trigger to withdraw from the market.....	167
7.4.3	Business incubation outcomes.....	169
7.5	A review of the business incubation internationalisation experience	170
7.5.1	Speed of foreign market entry and full market commitment.....	170
7.5.2	The accelerating function of business incubation	171
7.5.3	Summary of internationalisation experience findings.....	172
7.6	Theoretical discussion on switch to a full market commitment	173
7.7	Chapter summary	177

Chapter 8: Conclusions.....	179
8.1 Chapter introduction.....	179
8.2 Summary of findings	179
8.3 Business incubation reduces liabilities of foreignness.....	181
8.4 A definition for the international business incubator.....	182
8.5 Business incubation and foreign market entry mode frameworks.....	183
8.6 A model of business incubation as a method of foreign market entry.....	185
8.7 Theoretical contribution of this thesis	188
8.7.1 Contribution to the business incubation literature	188
8.7.2 Contribution to international business studies literature	189
8.8 Generalisability to other market settings	191
8.9 Managerial and policy implications	193
8.9.1 Implications for managers.....	193
8.9.2 Implications for policy makers	195
8.9.3 Implications for business incubation operators	195
8.10 Limitations of this study and suggestions for future research.....	196
List of References.....	199
List of Abbreviations	213

Appendix A: CBBC Launchpad Information Sheet	214
Appendix B: Summary of Launchpad Statistics.....	215
Appendix C: Participant Consent Form	219
Appendix D: Participant Information Sheet.....	220
Appendix E: Interview Protocols.....	222
Appendix F: Sample Interviews	225
Appendix G: Cross-case Comparison Summary	237

List of Tables

Table 2.1: Advantages of using business incubators in start-up and foreign market entry	44
Table 3.1: Sample categorized by Launchpad incubatee activity.....	54
Table 3.2: Sample categorized by Launchpad incubatee size and status	55
Table 3.3: Sample categorized by Launchpad incubatee size and activity	55
Table 3.4: Summary of Launchpad incubatee attributes.....	56
Table 3.5: Launchpad incubatees by attribute	57
Table 3.6: Interviewees by status.....	60
Table 3.7: Case study interviewees by function	60
Table 3.8: Reasons for interviewing two UK decision-makers	60
Table 3.9: Summary of interview locations, modes and durations.....	61
Table 3.10: Former CBBC employees interviewed.....	62
Table 3.11: Questions for senior decision-maker in UK.....	63
Table 3.12: Questions for locally-engaged Chinese manager	65
Table 3.13: Analysis table for UK interviewee	67
Table 3.14: Analysis table for Chinese interviewee	68
Table 3.15: Sample of cross-comparison table: knowledge benefits	68
Table 3.16: Sample table: business incubation and peer-to-peer knowledge accumulation	70
Table 3.17: Key for quotation codes.....	70
Table 5.1: Drivers for entering the Chinese market.....	85

Table 5.2: Market challenges perceived by incubatees.....	94
Table 5.3: Supporting quotations for minimising risk (1).....	96
Table 5.4: Supporting quotations for minimising risk (2).....	97
Table 5.5: Supporting quotations for minimising risk (3).....	99
Table 5.6: Business incubation and low risk.....	100
Table 5.7: Supporting quotations for control over a person (1).....	102
Table 5.8: Boundary workers and control.....	104
Table 5.9: Supporting quotations for control over costs.....	106
Table 5.10: Business incubation and high control.....	106
Table 5.11: Business incubation and options (1).....	109
Table 5.12: Business incubation and options (2).....	110
Table 5.13: Terminology to describe role of business incubation.....	111
Table 5.14: Business incubation as long term pay-off.....	111
Table 5.15: Business incubation and options summary.....	112
Table 5.16: Supporting quotations for risk and business incubator entry.....	115
Table 5.17: Business incubation as ‘compromise’ option.....	117
Table 5.18: Supporting quotations for cost and business incubator entry.....	118
Table 5.19: Cost as a factor in the decision to use business incubation.....	119
Table 5.20: Supporting quotations for immediacy of entry and decision-making.....	120
Table 5.21: Business incubation and speed of foreign market entry.....	121

Table 5.22: Supporting quotations for business incubator as market entry catalyst.....	121
Table 5.23: The catalyst function of business incubation	123
Table 5.24: Why firms and organisations choose international business incubators.....	129
Table 6.1: Supporting quotations for knowledge from the local manager (1).....	131
Table 6.2: Supporting quotations for knowledge from the local manager (2).....	132
Table 6.3: Supporting quotations for knowledge from the local manager (3).....	132
Table 6.4: Supporting quotations for knowledge from the local manager (4).....	133
Table 6.5: Knowledge accumulation and the role of the local manager	134
Table 6.6: Supporting quotations for peer-to-peer knowledge (1).....	135
Table 6.7: Supporting quotations for peer-to-peer knowledge (2).....	137
Table 6.8: Knowledge accumulation and peer-to-peer interactions.....	138
Table 6.9: Supporting quotations for cross-firm familiarisation (1)	138
Table 6.10: Supporting quotations for cross-firm familiarisation (2)	139
Table 6.11: Supporting quotations for cross-firm familiarisation (3)	140
Table 6.12: Supporting quotations for cross-firm familiarisation (4)	140
Table 6.13: Knowledge acquired across the firm or organisation	141
Table 6.14: Supporting quotations for knowledge building	142
Table 6.15: Supporting quotations for network building by the incubatee (1).....	146
Table 6.16: Supporting quotations for network building by the incubatee (2).....	147
Table 6.17: Business incubation as platform for network building	148

Table 6.18: Supporting quotations for networking via the incubator (1)	148
Table 6.19: Supporting quotations for networking via the incubator (2)	149
Table 6.20: Supporting quotations for networking via the incubator (3)	150
Table 6.21: The role of the business incubator in facilitating networks	151
Table 6.22: Business incubator services acknowledged in rank order.....	155
Table 6.23: Summary of benefits.....	158
Table 7.1: Supporting quotations for commercial benefits	161
Table 7.2: Supporting quotations for exit triggers (1).....	163
Table 7.3: Supporting quotations for exit triggers (2).....	164
Table 7.4: Supporting quotations for exit triggers (3).....	165
Table 7.5: Supporting quotations for exit triggers (4).....	166
Table 7.6: Supporting quotations for exit triggers (5).....	166
Table 7.7: Reasons for exit from the Launchpad scheme	167
Table 7.8: Supporting quotations for withdrawal	168
Table 7.9: Launchpad exit modes	170
Table 7.10: Supporting quotations for speed without business incubation	170
Table 7.11: Supporting quotations for acceleration function of business incubation	171
Table 7.12: The international business experience of firms and organisations	177

List of Figures

Figure 2.1: The business incubator continuum: facility objectives	11
Figure 2.2: Business incubation model	15
Figure 2.3: Forms of international market entry.....	28
Figure 2.4: Major foreign operation methods	28
Figure 2.5: Time limitation dimension in foreign market servicing modes	29
Figure 2.6: The optimal timing of foreign investment.....	35
Figure 2.7: Evolution of a manufacturer's decision on entry mode.....	39
Figure 2.8: The business network internationalization process model	40
Figure 5.1: Market entry options via business incubation.....	127
Figure 5.2: Business incubation, risk/control and a firm's market entry decision.....	128
Figure 7.1: The switch from exports supported by business incubation to FDI (1).....	174
Figure 7.2: The switch from exports supported by business incubation to FDI (2).....	175
Figure 7.3: The switch directly from business incubation to FDI	176
Figure 8.1: Forms of international market entry, with business incubation	184
Figure 8.2: Time limitation dimension of market entry modes, with business incubation	184
Figure 8.3: Business incubation as a stepping stone to foreign operation methods.....	185
Figure 8.4: The international business incubator: business incubation process	186
Figure 8.5: The international business incubation process.....	188

List of Boxes

Box 3.1: Sample of Box which summarises peer-to-peer knowledge findings	71
Box 5.1: Low risk foreign market entry (1)	101
Box 5.2: Low risk foreign market entry (2)	101
Box 5.3 High control foreign market entry (1).....	107
Box 5.4: High control foreign market entry (2).....	107
Box 5.5: Options thinking case study (1).....	113
Box 5.6: Options thinking case study (2).....	113
Box 5.7: Business incubation and foreign market entry decision-making (1).....	123
Box 5.8: Business incubation and foreign market entry decision-making (2).....	124
Box 5.9: Business incubation and foreign market entry decision-making (3).....	124
Box 6.1: Knowledge accumulation - the importance of the local manager.....	143
Box 6.2: Knowledge accumulation - incubatee interactions	144
Box 6.3: Knowledge accumulation - firm familiarisation with the market	144
Box 6.4: Network building - strengthening existing links	152
Box 6.5: Network building - new relationships.....	152
Box 6.6: Network building - the role of the incubator	152
Box 7.1: Commercial benefits during business incubation	163
Box 7.2: Path to foreign market entry - slower without business incubation.....	172

Box 7.3: Path to foreign market entry - faster with business incubation173

Chapter 1: Introduction

1.1 Chapter overview

In this opening chapter, the rationale, main aims and objectives of this research are introduced in Sections 1.2 and 1.3. The theoretical contributions of this study are briefly discussed in Section 1.4, whilst the implications for practitioners and policy makers are considered in Section 1.5. An overview of the chapters which follow is provided in Section 1.6, in order to explain the structure of this dissertation.

1.2 Research rationale

As the western world recovers from recession, national governments are encouraging firms to export their products and services in order to create jobs and help improve the country's trade balance. Attention has turned to fast growing emerging markets as the panacea for flat domestic markets. For example, in its 2011 Trade White Paper, the UK government emphasised support for small and medium-sized enterprises (SMEs) in expanding their business and increasing their export activity, with a focus on emerging markets (BIS, 2011). However, the challenges associated with entering new foreign markets, known in the academic literature as 'liabilities of foreignness' (Hymer, 1976, Zaheer, 1995, Denk et al., 2012) remain significant for new-comers. These liabilities can include inadequate knowledge about a host country's culture, norms, values and business practices (i.e. 'unfamiliarity hazards') and a lack of embeddedness in local networks (i.e. 'relational hazards') (Eden and Miller, 2004). Such impediments stand in the way of firms' successful foreign market entry. Identifying how such liabilities of foreignness can be overcome or reduced by the firm has become a focus for research in recent years. These include, for example, a firm's engagement in learning (Petersen and Pedersen, 2002), the building of business networks (Luo et al., 2002, Johanson and Vahlne, 2009) and strategic adaptation (Elango, 2009). Methods and means to help firms overcome barriers to foreign market entry are therefore of interest to both academics and policy makers.

A relatively new phenomenon which aims to ease a firm's entry into a foreign market is an 'international business incubator'. An international business incubator may be described as a shared office-space facility located in a foreign country that provides temporary accommodation

and assistance to newly arriving firms until such time as they feel able to leave (or ‘graduate’) and set up a permanent presence of their own. Examples include The Danish Trade Council’s *Accelerator Programme* in Atlanta U.S.A., the *Danish Business Centre* in India (Ministry of Foreign Affairs of Denmark, 2011a, Ministry of Foreign Affairs of Denmark, 2011b), China-Britain Business Council’s *Launchpad* scheme in China (CBBC, 2011), the UK India Business Council’s *Launchpad* scheme in India (UKIBC, 2014) and also the *Business Support Centres* in Thailand and India established by JETRO (The Japanese External Trade Organisation) (JETRO, 2011, Alibaba.com, 2011). Within this context, ‘business incubation’ can be defined as the collection of benefits accumulated by the firm, that provide it with the confidence to leave the incubator, survive independently and penetrate a foreign market successfully. This method of foreign market entry appears to offer a solution for firms who are attracted by the promise of new markets, but are wary about the risks of committing resources when these markets remain untested.

In recent years, while the phenomenon of the international business incubator has become more widespread, the benefits of business incubation as a method of foreign market entry has remained barely understood from an academic perspective, signalling that there are contributions to be made to the international business literature. Business incubation as a method of foreign market entry is therefore a topic worthy of academic research. However, such research is also valuable for any national governments or policy makers seeking to identify and evaluate new forms of support which can help internationalising firms to reduce their liabilities of foreignness and enter foreign markets successfully, as well as for firms wishing to compare the pros and cons of alternative foreign market entry modes with a view to choosing the one most suited to their resources and strategic requirements.

1.3 Research aims, objectives and questions

A review of the business incubation literature reported in Chapter 2 of this thesis reveals that the terms ‘business incubator’ and/or ‘business incubation’ have predominantly been applied to scenarios where *new* or start-up firms receive support (in the form of physical space, mentoring, business advice, and so forth) in order to grow successfully in their *domestic* markets (e.g. Hackett and Dilts, 2004b, Aaboen, 2009). Research perspectives on this phenomenon have come primarily from the technological innovation (e.g. Colombo and Delmastro, 2002, Cooper et al., 2012), entrepreneurship (e.g. Allen and Rahman, 1985, Grimaldi and Grandi, 2005) and

economic development literatures (e.g. Bearse, 1998, Lalkaka, 2002). However, business incubation which assists *existing* and established firms to enter new *foreign* markets has been overlooked in the business incubation literature. Indeed, research has yet to provide a clear definition of an international business incubator or offer any empirical evaluation of its characteristics (Lewis et al., 2011).

At the same time, a review of the international business studies literature, including notable text books on methods of foreign market entry (e.g. Young et al., 1989, Welch et al., 2007), reveals that international business incubators/incubation as a method of foreign market entry has been completely ignored until now. Furthermore, while much is now understood about the internationalization experience of the firm (e.g. Johanson and Vahlne, 1977, Cavusgil, 1984, Coviello and Munro, 1997, Oviatt and McDougall, 2005, Johanson and Vahlne, 2009), it has not been considered within a business incubation context.

Taking as its main theoretical foundations (i) transaction costs economics and (ii) behavioural and internationalization process theories as referred to in the international business studies literature, the main aim of this research is to provide an understanding of business incubation as a method of foreign market entry that is informed by the experiences of firms that have been accommodated within an international business incubator. Specifically, this inquiry focuses on how the business incubation process facilitates a firm's foreign market entry. This in turn will facilitate the development of a definition for the international business incubator, the positioning of business incubation amongst other well researched foreign market entry modes and the design of a model that shows how business incubation facilitates the foreign market entry of the firm.

This study adopts a critical realist epistemology and a multiple case study method which, through an abductive approach, advances new theoretical ideas that are able to provide an explanation for the business incubation process experienced by firms and organisations entering foreign markets. The context for the study is *Launchpad*, a business incubation scheme operated by the China-Britain Business Council (CBBC) to help UK firms and organisations enter the Chinese market (see Appendix A). *Launchpad* is possibly the longest established scheme of its kind. Over the last 20 years, it has helped some 160 UK firms and organisations test and enter the Chinese market, with a success rate (in terms of graduating firms setting up their own entity)

of some 90% (see Appendix B). This study draws upon interviews with 47 managers from 24 firms and organisations that have used this business incubation scheme

To conduct the study reported here, the experiences of ten current and 14 former users of Launchpad, henceforth referred to as ‘incubatees’, have been explored via 47 semi-structured interviews conducted with UK and Chinese managers, who were either closely involved with the decision to use the scheme or who were familiar with the business incubation process experienced by the incubatee. A further three former Launchpad administrators from CBBC were also interviewed. Access to incubatees was made possible by the author of this dissertation being a CBBC employee (see Section 3.2.4 for issues relating to reflexivity and positionality).

With an interview protocol design informed by a synthesis of the international business and business incubation literatures, the objective of the interviews was to enquire (i) Why do firms and organisations choose to use international business incubators to help their foreign market entry? (ii) What benefits do firms and organisations gain from being in international business incubators? (iii) How do international business incubators change the international experience of firms and organisations? An analysis of the interview data was then conducted in order to generate an explanation for how business incubation can facilitate a firm’s foreign market entry.

Finally, this research will also make recommendations to policy makers about the use and further development of international business incubators, and also to firms and organisations about the managerial implications of using business incubation as a method of foreign market entry.

1.4 Theoretical contributions of the study

The theoretical contributions of this exploratory research lie in two main areas. Firstly, from the perspective of the business incubation literature, this thesis extends knowledge about business incubation into foreign market entry settings. The extant business incubation literature is shown to be insufficient for providing a full explanation of the business incubation process experienced by foreign market entrants. This research fills this gap by adopting themes from the international business literature to explain business incubation as a method of foreign market entry. It also develops a definition for the international business incubator and presents a model to convey the business incubation process in a foreign market entry setting.

Secondly, from the perspective of the international business studies literature, this research uses the context of business incubation to assess and contribute to extant theories on risk and control, mode switching and the timing of foreign investment, showing how the use of an international business incubator reduces the cost of commitment for a firm and accelerates its move towards foreign direct investment (FDI). The research also positions business incubation as a method of foreign market entry within international business theories and frameworks, where it has hitherto been absent. Finally, this research extends liabilities of foreignness (LOF) research into the domain of business incubation, showing how business incubation as a method of foreign market entry can help firms and organisations reduce LOF hazards and their outcomes.

1.5 Implications for practitioners and policy makers

The implications of this study for practitioners and policy makers fall into three main areas. Firstly, there are managerial implications for organisations and firms, particularly SMEs, seeking to enter new and unfamiliar foreign markets. This study argues that managers seeking to minimise risk and maximise control during foreign market entry should consider business incubation as a market entry method. Typical drivers related to entering and exiting international business incubators are revealed in this study, along with how a firm can ensure its time in the business incubator is leveraged to best effect.

Secondly, for those policy makers encouraging firms, particularly SMEs, to internationalize and increase exports to new markets, business incubation is shown to be a valuable method of trade support, worthy of being adopted as a policy instrument. The role of government-linked Export Promotion Organisations in operating international business incubation schemes is also highlighted.

Finally, the findings of this study are useful for operators of international business incubators. Evidence is provided about the main benefits of business incubation schemes, as well as about those business incubator services which are most valued by incubatees. Such knowledge will assist with the promotion and marketing of business incubation as a method of foreign market entry. This study also calls for operators to share good practice about the management of international business incubators, in order to ensure their continued development and effectiveness.

1.6 Structure of this dissertation

Having introduced the main aims, objectives and research questions in this opening chapter, the main literatures pertinent to this research, namely the business incubation and foreign market entry and internationalization streams of the international business literatures, are reviewed in Chapter 2. This review demonstrates that business incubation as a method of foreign market entry has been largely overlooked in these literatures. However, both streams share common themes, especially in relation to issues such as risk management, knowledge and learning, network building and liabilities of newness or foreignness. Seven *a priori* research themes are identified in Section 2.4, the usefulness and relevance of which are discussed in the findings chapters (5, 6 and 7) within the context of business incubation.

In Chapter 3, an overview of the research philosophies, approaches and methods adopted in this study is provided, as well as an introduction to issues relating to case study selection, interview design and the approach to data analysis. In Chapter 4 the research context for this study is explained. The Launchpad scheme is introduced fully, drawing on concepts from the business incubation literature, whilst an overview of the Chinese business environment is provided in order to identify the typical liabilities of foreignness faced by foreign firms and organisations as they expand their operations there.

There then follows three main findings chapters that address this inquiry into how the business incubation process facilitates a firm's foreign market entry. Chapter 5 begins with an exploration of market entry drivers and liabilities of foreignness as perceived by the case study incubatees. The themes of risk, control, real options and the foreign market entry decision are then viewed within the context of case study data in order to explore why firms and organisations choose international business incubators to help their foreign market. New insights inducted from the data are then integrated into extant theory on risk and control.

In Chapter 6, themes relating to knowledge and networks are viewed within the context of business incubation with a view to exploring what benefits firms and organisations gain from business incubation during foreign market entry. For completeness, interview data are also utilised to make some observations about the role of support services provided by the incubator during the business incubation process. Then, in Chapter 7, the drivers for a firm's exit from the

business incubator are examined, and the findings integrated into theory about mode switching and the timing of foreign investment.

With Chapter 8, this dissertation concludes with a reflection on what the research findings reveal about business incubation as a method of foreign market entry. How business incubation is able to reduce liabilities of foreignness for new market entrants is also discussed. As mentioned above, the literature currently lacks a definition for the international business incubator. Informed by the research findings in this thesis, a definition is presented and the international business incubator is also positioned within existing foreign market entry mode frameworks. A model of business incubation as a method of foreign market entry is also advanced. The chapter concludes with a discussion about the theoretical contributions and managerial and policy implications of this study, along with suggestions for future research.

Chapter 2: Business incubation and internationalization

2.1 Chapter introduction

In this chapter, the two main streams of literature relevant to this study are reviewed. The business incubation literature provides the focus for the first part of the literature review (see Section 2.2). Although business incubation as a method of foreign market entry has received relatively little attention within this body of literature, a close examination of the extant studies provides an understanding of the key characteristics of business incubation in general, how it works and how effective it is. The second part of this chapter (see Section 2.3) reviews the international business literature as it pertains to foreign market entry and internationalization. Business incubation as a method of foreign market entry has also received little or no attention in the international business literature (e.g. Welch et al., 2007). However, international business theories can also help position business incubation within existing international business frameworks and thereby provide tools for understanding its role as a method of foreign market entry. The final part of this chapter (Section 2.4) explores common themes revealed within the business incubation and international business literatures. The objective here is to sharpen the theoretical perspectives from which to analyse the data and address the main research questions of this study.

2.2 The business incubators and business incubation literature

Articles for the review business incubators and business incubation on were identified using electronic journal database searches (e.g. EBSCO, ProQuest-ABI, Sage journals online, Science Direct, Springer and Wiley Blackwell). In each case, the search terms ‘incubator’ and ‘incubation’ were employed to identify relevant prior research and studies. Unless explicitly stated otherwise, the articles included in this part of the literature review are confined to business incubation as used to facilitate company growth in domestic markets only.

In Sections 2.2.1 to 2.2.3 below, an understanding of how domestic market business incubators emerged is provided, along with what they are and how they can be categorised. In Section 2.2.4, the limited literature on incubators for foreign market entry is reviewed. In Sections 2.2.5 to 2.2.7, the extant literature about the business incubation process, together with the network and entrepreneurial dimensions of business incubators are evaluated and reviewed. Finally, in

Sections 2.2.8 and 2.2.9, policy and performance-related issues are considered. This exercise provides us with important business incubation concepts with which to make a more thorough examination of business incubation as a method of foreign market entry.

2.2.1 How business incubators emerged

The first business incubators designed to promote company growth in domestic market settings were created in the US during the 1960s and 1970s, largely as a response to government-sponsored initiatives to stimulate economic re-vitalisation in blighted urban areas (Hackett and Dilts, 2004b). In the USA, the first private sector business incubators were established during the 1970s. These provided business services and pioneered the provision of venture capital for start-up companies (Campbell and Allen, 1987). There was also a link between business incubators and the commercialisation of basic university research outputs during the 1960s (Vedovello and Godinho, 2003) and national efforts to stimulate and commercialise technological inventions in the USA during the 1970s (Scheirer et al., 1985). Improvements in the policy environment concerning the protection of intellectual property rights (IPR) and the commercialisation of research underpinned a proliferation of business incubators in the US during the 1980s (the National Business Incubator Association was founded in the USA in 1985) and into the 1990s, although the phenomenon became somewhat discredited, by the dotcom boom (Hackett and Dilts, 2004b).

Another important setting for business incubators has been 'developing countries.' An early study by Lalkaka and Abetti (1999) observed that, following two decades of growth, the business incubation industry in the US had reached maturity, but growth was still rapid in transitional and industrializing economies. For example, China in particular was noted by Lalkaka and Abetti (1999) as having the largest incubator programme amongst the industrializing countries. Subsequently, a number of articles have been published on incubators in developing country settings (Lalkaka, 1997, Scaramuzzi, 2002, Lalkaka, 2003), especially in China (Chen et al., 2003, Chandra et al., 2007, He and Chandra, 2009).

2.2.2 What business incubators are

Early writers on business incubation tended to stress the provision of a physical environment or facility to accommodate early-stage business as being the key feature of business incubation (Fry, 1987, Allen and Rahman, 1985, Campbell and Allen, 1987). Later work, on the other hand,

tended to stress the role of the incubator in providing services to its incubatees (Allen and McCluskey, 1990, Rice, 2002). The incubator was also acknowledged as being able to foster new technology-based firms (Mian, 1994), nurture new businesses in local economies (Sherman, 1999) and create business networks at a local level (Hansen et al., 2000).

Taking into account a variety of perspectives and standpoints in a review of the early literature, Hackett and Dilts (2004b) defined the business incubator thus:

“A business incubator is a shared office-space facility that seeks to provide its incubatees (i.e. “portfolio-” or “client-” or “tenant-companies”) with a strategic, value-adding intervention system (i.e. business incubation) of monitoring and business assistance. This system controls and links resources with the objective of facilitating the successful venture development, while simultaneously containing the cost of their potential failure.” (Hackett and Dilts, 2004b p.57)

And, acknowledging the role of business incubator stakeholders, Hackett and Dilts also added that:

“...the business incubator is also a network of individuals and organizations including the business incubator manager and staff, incubator advisory board, incubatee companies and employees, local universities and university community members, industry contacts, and professional service providers such as lawyers, accountants, consultants, marketing specialists, venture capitalists, angel investors, and volunteers” (Hackett and Dilts, 2004b p.57)

This definition serves as a useful tool for conveying the totality of business incubation. Whilst this definition was developed for business incubation in domestic, rather than foreign market entry settings, it will nevertheless provide a basis for providing the international business incubator with a definition of its own, in the concluding chapter of this thesis.

2.2.3 Categories of business incubator

Allen and McLuskey (1990) identified four types of business incubator (see Figure 2.1) that sit along a value-adding continuum (from low to high), namely: (i) For Profit Development Incubators (seeking a return on real estate and services); (ii) Non-Profit Development Corporation Incubators (seeking to create jobs and encourage entrepreneurship); (iii) Academic

Incubators (seeking to commercialise university research, and collaborations with industry); and (iv) For-Profit Seed Incubators (seeking to capitalise on start-ups as investment opportunities). Although these four types cover most business incubator scenarios, there have been two further classifications of incubators, namely ‘virtual incubators’ (Von Zedtwitz, 2003) and ‘company-internal incubators’ or ‘corporate incubators’ (Grimaldi and Grandi, 2005, Becker and Gassmann, 2006a, Becker and Gassmann, 2006b, Gassmann and Becker, 2006). Most importantly, from the perspective of this particular research, these categories of business incubator all refer to start-up firms seeking to expand and grow in domestic markets.

Figure 2.1: The business incubator continuum: facility objectives

INCUBATOR TYPE	Value Added Through			
	Real Estate	Business Development		
	For-Profit Property Development Incubators	Non-Profit Development Corporation Incubators	Academic Incubators	For-Profit Seed Capital Incubators
PRIMARY OBJECTIVE	Real estate appreciation Selling proprietary services to tenant	Job creation Positive statement of entrepreneurial potential	Faculty-industry collaboration Commercialize university research	Capitalize investment opportunity
SECONDARY OBJECTIVE	Create opportunity for technology transfer Create investment opportunity	Generate sustainable income for organization Diversify economic base Bolster tax base Complement existing programmes Utilise vacant facilities	Strengthen service & institutional mission Capitalize investment opportunity Create good will between institution & community	Product development

Source: Allen and McCluskey (1990).

A review of the literature also indicates that business incubators may be distinguished by:

- (i) The source of financial sponsorship or backing: e.g. public, non-profit, university or privately sponsored (Temali and Campbell, 1984, Kuratko and LaFollette, 1987, Smilor, 1987b).

(ii) The business focus of the incubatee e.g. product development, manufacturing or mixed use (Plosila and Allen, 1985, Sherman, 1999), or the type of incubatee: e.g. spin-off or start-up (Plosila and Allen, 1985).

(iii) The activities and resources used (Clarysse et al., 2005).

(iv) The management of core services (Von Zedtwitz and Grimaldi, 2006).

(iv) 'Characterising variables' (driven by companies' requirements) associated with four kinds of business incubators, namely Business Innovation Centres, University Business Incubators (Mian, 1994, Mian, 1996, Mian, 1997), Independent Private Incubators and Corporate Private Incubators (Grimaldi and Grandi, 2005).

(v) 'Defining services', which must be demonstrated in order to be classified as a 'business incubator' such as offering at least four out of five specific services from the following list: physical resources, office support, financial support, entrepreneurial start-up support and access to networks (Carayannis and von Zedtwitz, 2005).

(vi) 'By generation' (from the earliest to the more recent), where the latest business incubators (usually oriented to technology intensive or information and communication technology sectors) are characterized by a combination of technological and management support (Aerts et al., 2007).

It is important to note that the notion of business incubators and business incubation as a means for facilitating foreign market entry is noticeably absent from the above reviews of incubator groups and types.

2.2.4 International business incubators and incubators for foreign market entry

Lalkaka (2003) and Chen et al. (2003) maintain that the 'international business incubator' originated in China. Backed by the Ministry of Science and Technology, an initial batch of eight Chinese technology incubators in Beijing-Fengtai, Tianjin, Shanghai, Suzhou, Wuhan, Xi'an, Chengdu and Chongqing were transformed into 'international business incubators' in 1996, with the intention of assisting foreign technology-based firms to enter the Chinese domestic market and Chinese firms to enter foreign markets. A large proportion of incubatees were overseas Chinese scholars returning to China. Lalkaka (2003) also referred to similar initiatives

for supporting international ventures at the 'International Business Incubator' at San Jose in California, at the Ben Craig Centre at the University of North Carolina, Charlotte and in New York.

Mencin and Erikson (2009) further elaborated on the incubator model used in San Jose (USA), describing how in 1995 the city decided to expand its incubator programme to include an international business centre – then named the 'International Business Incubator' and now known as the 'US Market Access Centre' (www.usmarketaccess.com) - with the purpose of assisting entrepreneurs from abroad and promoting foreign investment in California. This suggests that the San Jose example pre-dates those in China.

Li (2009) acknowledged that the use of business incubation to support international entrepreneurship is a 'recent phenomenon'. In his paper, Li cites Zahra and George (2002) as defining international entrepreneurship at the business level as 'the process of creatively discovering and exploiting opportunities that lie outside the firms domestic markets in the pursuit of competitive advantage' (p.185). This includes both internationalization by new ventures and the entrepreneurial activities of established companies.

Li (2009) distinguishes between two kinds of incubator that support international entrepreneurship at the national level, namely:

- (i) Inward International Business Development (IIBD) incubators, where the objective of stakeholders such as local government is to create jobs, facilitate technology transfer and attract inward foreign direct investment, and
- (ii) Outward International Business Development (OIBD) incubators where the home country establishes an incubator abroad in order to encourage outward direct investment into a foreign country.

Li (2009) suggests that China's 'Returning Students Venture Parks' (Saxenian, 2002) and New York's early initiatives (Leblebici and Shah, 2004) fall into the IIBD category, and that China's Overseas Technology Incubators (a scheme established by the Chinese government in 2000), falls into the OIBD category. Business incubation within OIBD incubators is the subject of this research, as explained in Section 1.2.

Li (2009) also identifies Offshore Knowledge Incubation (OKI). This is a modified version of corporate private incubators which fits into the OIBD model. Li cites Lehrer and Asakawa (2002) as describing OKI as ‘the effort by foreign R&D units of MNCs (multinational corporations) to achieve local embeddedness within the host-country R&D system, even at the expense of remaining detached from the rest of the MNC’ (p.186). Aernoudt (2004) described the focus of technology incubators in Belgium and Spain as initially directed towards attracting branches of international firms.

Rask and Bøllingtoft (2008), describe a mode of ‘export incubator’ developed by the Danish Trade Council in eleven overseas markets, including China. In their conference paper, the export incubator is described as a foreign market entry platform, which, when compared to other foreign market entry modes, promises a faster and more network-based foreign market entry with high control, limited risk and reduced resource commitment. Essentially, this kind of incubator provides physical space and in-market support for Danish firms seeking to develop their export markets. Interviews were conducted with incubatees in four locations in order to ascertain the motivations (in terms of risk reduction, building network relations and accessing convenient infrastructure) for entering into this kind of incubator. The findings of Rask and Bøllingtoft indicated some support for their proposition that export incubators facilitate market entry with low risk, high control characteristics. Ulrich and Hollensen (2014), in relation to business incubation as a foreign entry mode for Danish SMEs, have also described the business incubator as providing the opportunity for a company ‘to bridge the ‘gap’ between a low-control entry mode (e.g. importer or distributor) and high-control entry mode (e.g. wholly owned sales subsidiary), without involving too high risks and still keeping a reasonable level of control’ (p.1).

However, there were a number of limitations to the Rask and Bøllingtoft study, namely that the interviews were conducted by students during their internships and were not designed to inform or answer the literature-based propositions of the research. They acknowledged that more investigation was required to confirm their proposition that such an incubation model promotes ‘faster and more network based profound market entry.’ This calls into question the validity of the findings, which are described by the authors as ‘exploratory and initial.’ Furthermore, the study by Ulrich and Hollensen was based on a single case study and was also described as being exploratory and initial. They called for a multiple case design in order to generate more generalizable results. The themes of control, risk and networks identified by these authors are

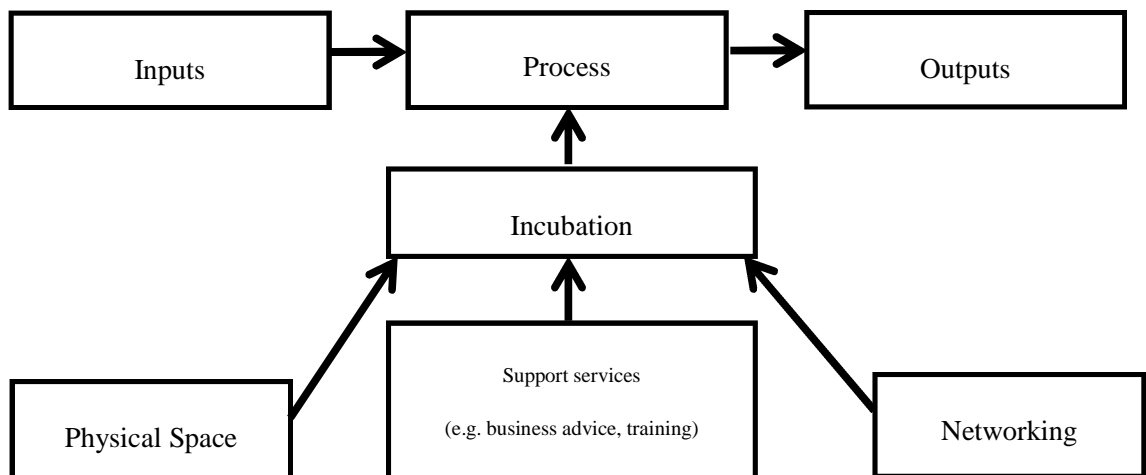
important, however, and will be elaborated upon in Sections 2.3.6 and 2.3.7 from an international business studies perspective.

2.2.5 The business incubation process

Early research tended to focus on the outward appearance of business incubators, rather than how the business incubation process actually works (e.g. Allen and Rahman, 1985, Fry, 1987), but some papers have also contributed to our understanding of how business incubators and business incubation can be linked to the business development processes of incubatees. For example, the business incubator can help *transform* a business prospect into an actual operating business, by diagnosing business needs and providing appropriate business services, as well as by providing finance and access to business networks (Campbell et al., 1985). The benefits for incubatees have also been identified as lying along four dimensions: (i) the development of credibility; (ii) the shortening of the entrepreneurial learning curve; (iii) the speedy solution of problems; and (iv) access to entrepreneurial networks (Smilor, 1987b).

Costa-David et al.'s input-output model (2002 p.4) depicts how business incubators operate and also informs our understanding of where the 'business incubation process' is located. Figure 2.2 shows the main components of the model:

Figure 2.2: Business incubation model



Source: Adapted from Costa-David et al. (2002 p.4).

In the model presented in 2.2 above, the boxes describe the following:

Inputs – mainly consist of the inputs made by stakeholders (e.g. the provision of finance, management resources, and projects put forward by the entrepreneurs).

Processes – are the various inputs brought together in the business incubation process through the provision of incubator space, training, business advice, technology support and networking opportunities.

Outputs – are when successful companies leave or ‘graduate’, with positive job and wealth creation impacts for local economies.

However, this model was designed from the perspective of the business incubator. It does not adequately convey the business incubation process as experienced by the incubatee firm, nor does it convey any challenges in the external environment that business incubation helps the incubatee to overcome.

Incubatee selection is a further variable associated with the incubation process. Culp (1996) has suggested that business incubators need to select ‘weak-but-promising’ companies, while the link between the selection process and incubator/incubatee failure has also been recognised, in that some candidates may be too weak whilst others may be too strong, to merit incubation (Kuratko and LaFollette, 1987). The importance of there being a good fit between the needs of the incubatee and the type of business assistance services offered by the incubator is also acknowledged in the literature (Merrifield, 1987, Autio and Klofsten, 1998).

In terms of understanding of how incubation inputs are turned into outputs, Rice (2002) has characterised the relationship between business incubation programmes and their incubatees as ‘interdependent co-production’, where the proactive efforts of the incubator manager and incubatee to work together leads to the co-production of business assistance which in turn assists the firm in overcoming resource, competency and knowledge gaps.

Allen (1988) viewed the business incubator as a ‘firm’ in itself, with its own life cycle (from initial set up to full occupancy and maturity). Building upon this notion, Hackett and Dilts (2004a p.41) conceptualised the incubator as an entrepreneurial firm that sources and macro-manages the innovation process within emerging organisations, infusing these organisations with resources at various developmental stage-gates, while containing the cost of their potential

failure. In an attempt to develop a theory of business incubation, Hackett and Dilts adopted 'Real Options' theory to view incubatee selection as the creation of an 'option' (or an initial investment decision by the incubator), and subsequent support or resource infusions as adding value to the option via 'option exercises', with a view to incubating the incubatee successfully. When the incubatee cannot justify further investment (e.g. failure is likely) then the cost (or loss) is kept to a minimum. Real options theory is a powerful analytical tool which will be referred to again in Section 2.3.6 within the context of the international business literature.

The concept of the incubator as a firm is further acknowledged by Aaboen (2009). She explains incubators using the analogy of a firm, discussing whether its incubatees and other stakeholders can be thought of as 'customers'. The 'incubator firm' is seen by Aaboen as mobilising resources for its customers and creating value by serving them.

The business incubation process experienced by firms entering foreign markets is also a subject of this research. In Chapter 8, the business incubation literature cited above will be drawn upon and, together with the analysis of interview data in Chapters 5, 6 and 7, will inform the presentation of a model for business incubation as a method of foreign market entry.

2.2.6 Business incubation, networks and social capital

Business networks are an important feature of the business incubation process and have attracted a great deal of academic interest. In their survey of 169 business incubators in the US, Hansen et al. (2000) identified the 'networked incubator', as a 'new organisational model' with the 'potential to surpass existing organizational structures in creating and growing new business' (p.84). Whilst many incubators merely provided a place to 'set up shop', the networked incubator was observed as having built-in institutional mechanisms to foster partnerships and interactions amongst incubatees, and to create links with external experts and service providers. In doing so, this mode of incubator promised to 'surpass existing organisational structures in creating and growing new businesses' (Hansen et al., 2000 p.84). This explicit connecting of business networks to the success of business incubation was an important contribution to the business incubation literature and set the scene for further discussion by academics.

In their ethnographic study of a networked incubator in Denmark, Bøllingtoft and Ulhøi (2005) used social capital and network theory to address the rationale behind the networked incubator, where social capital (for an entrepreneurial actor) relates to the sum of social relationships and

social structures that can be used to achieve his or her goals. Their preliminary findings showed that social capital operates at two levels: on an individual level, where social ties can be mobilised when needed, and on a collective level, by merit of the construction, design or activities of the incubator. The findings of Bøllingtoft and Ulhøi (2005) suggest that incubators where networks are active can address market failures and ‘liabilities of newness’ (the need for administrative support; lack of visibility owing to the age of company; and being on one’s own versus being in a community of peers). This term was devised by Stinchcombe (1965) to describe the challenges faced by new organisations in terms of acquiring new skills, creating new roles, and developing new social ties and customers. Later in Section 2.4, this concept will be likened to liabilities of foreignness (Zaheer, 1995) and outsidership (Johanson and Vahlne, 2009), which are established concepts in the international business literature.

Exploratory research by Tötterman and Sten (2005) on three incubators in Finland also stresses the importance of social capital and networks for start-up businesses. The study suggests that entrepreneurs who received substantial support in the creation of business networks are more satisfied than those who have not received such support, but also that the effectiveness of these networks can be influenced by industry focus, selection of incubatees, company mix, design of physical space and stakeholder involvement in the incubator. However, Hughes et al. (2007) emphasised that the provision of networks (and other business services) by the business incubator does not in itself guarantee the creation of value for incubatees, since value generation rests in the hands of the incubatees themselves.

A study by McAdam and Marlow (2008) examined the degree to which networking opportunities provided by a university incubator (also known as an ‘academic incubator’ - see Section 2.2.3, above), in the UK supported the growth and sustainability of its incubatees. Their findings suggest that young firms benefited not only from their association with the ‘parent’ university (in terms of credibility, image and technology transfer), but also from being in close proximity to other firms. Such networked relationships provided support during the vulnerable start-up and early growth phase of a firm, in terms of being able to benchmark progress and challenges with other firms and benefitting from a sense of shared values and togetherness. This said, an earlier piece of research by McAdam and Marlow (2007) on a business incubator in the Republic of Ireland found that firm proximity can also create tensions concerning privacy, the protection of intellectual property and competitive strategies.

Within the context of a university incubator Cooper et al. (2012) conducted a survey of incubatees to determine the nature of communication within their internal network in terms of frequency, physical distance, location, content, tone and so forth. Their findings indicate that social support, security of membership of an in-group, as well as access to material and information resources are all motivations for networking, but that obstacles also exist, such as time limitations, lack of information about other incubatees and lack of trust in terms of sharing information about innovations and funding sources. Their findings also showed that the stage of an incubatee in its business incubation lifecycle can determine the willingness to network with other incubatees.

Research by Fang et al. (2010) on incubation programmes in Taiwan shows how incubatees of incubation programmes can leverage their social capital with the incubator in order to enhance their own inter-organisational learning and performance. It was found that those incubatees who are skilful at optimising their relationships with the incubator will ensure more effective knowledge flows and resource mobilization, leading to greater value creation in the incubator process.

To sum up this discussion of the role of networks in the incubation process, from the recognition that internal and external business networks are positively linked to the effectiveness of business incubation for start-up businesses (Hansen et al., 2000), further research has provided us with a more sophisticated understanding of the role that networks play in helping new firms to overcome 'liabilities of newness' (Bøllingtoft and Ulhøi, 2005) and achieve sustainable growth (McAdam and Marlow, 2008). This said, the benefits from participating in networks are not automatic and can be dependent both on the actions of the incubatees themselves (Hughes et al., 2007) and on factors related to the physical design and company mix of the incubator (Tötterman and Sten, 2005). Furthermore, time limitations, lack of information about other incubatees and lack of trust can all act as obstacles for networking (Cooper et al., 2012), while the appetite to take advantage of networks can also be influenced by the stage of an incubatee in its incubation life cycle (Cooper et al., 2012). The influence of social capital and networks within the business incubator (e.g. between incubatee and incubator management, and between incubatees) on learning and performance (Fang et al., 2010) have also been acknowledged. Overall, research has shown that networks and social capital are strongly related to successful business incubation. Business networks are also an important

domain in the international business literature and will be re-visited in Section 2.3.7 of this literature review.

2.2.7 Business incubation and entrepreneurship

Entrepreneurship is associated with risk, and start-up firms and entrepreneurs are acknowledged as seeking to manage or reduce risk (March and Shapira, 1987). Business incubators have been acknowledged as addressing market failures, such as information costs, lack of services and business assistance etc., as well as enabling entrepreneurship where previously it was too costly or risky (Hackett and Dilts, 2004, Bøllingtoft and Ulhøi, 2005). According to Bugliarello (1998) staying in a business incubator or being related to/located at a business incubator can also reduce an entrepreneur's perceived risk of a project because the business incubator itself represents a form of social capital.

The role of the business incubator in helping start-up companies survive their early years has been discussed in the early literature (Smilor and Gill, 1986, Allen and McCluskey, 1990). Relevant to this research is a study by Allan and Rahman (1985), which found from a survey of 56 incubatee respondents that 'slightly over half the firms (53.6%) changed their business strategy'. The authors go on to write that of the 26 firms that mentioned that their strategy had changed, 42% said that the incubator allowed the firm 'to accelerate plans and expand at a faster pace' (p.19). This indicates that the incubator provides an environment for learning and strategic adjustment. Entrepreneurial actors have also been recognised as possessing specialized knowledge but lacking general business skills (Lyons, 2000). Business incubation can therefore also provide a learning and skills acquisition environment for entrepreneurs and early life firms.

Peters et al. (2004), who view the business incubator as 'an evolving innovative organisation form that is a vehicle for enterprise development' (p.84), argue that incubators can play a significant role in this development from the point of 'assembling the resources' to 'harvesting the rewards.' Phan et al. (2005), in the context of science park incubators, also put forward the notion that incubation is 'a form of individual mentorship between the incubator and science park managers and the entrepreneur or entrepreneurial team' (p.180).

Aernoudt (2004) found that in Europe the biggest barrier for the development of business incubators is the *lack* of entrepreneurship, and that this is exacerbated by the lack of access to seed financing. 'Bridging the entrepreneurial gap' should therefore be one of the goals of an

incubator, which can play a key role in helping incubatees obtain access to business angel networks. Tötterman and Sten (2005) found in their research, however, that support which focuses principally on financial capital was not the key aspect that business incubators should focus on, but rather the focus should be on the creation of business or support networks. As mentioned earlier, Bøllingtoft and Ulhoi (2005) also stressed the crucial role of social networks in giving entrepreneurial actors the necessary legitimacy, skills and resources needed when launching a new venture. The notion of entrepreneurship is relevant to this thesis, since it has also been linked to internationalization in the international business studies (Johanson and Vahlne, 2009) and international entrepreneurship (Oviatt and McDougall, 1994) literatures.

2.2.8 Business incubators and policy

Business incubation as a policy instrument has been covered to varying degrees in the literature. Vedovello and Godinho (2003) outlined the policy rationale for setting up incubators in the following terms:

- (i) To promote economic development through the expansion of the business base.
- (ii) To promote the commercialisation of technologies.
- (iii) To promote advanced entrepreneurship.
- (iv) To generate new jobs.
- (v) To foster synergies among the various participants of the national system of innovation.
- (vi) To foster synergies between new and already established entrepreneurs.
- (vii) To contribute to overcoming obstacles and reducing the systematic and market risks.
- (viii) To contribute to the improved performance of innovative small and medium-sized enterprises (SMEs).

The role played by national, bilateral and multi-lateral support agencies in fostering business incubation programmes in *developing* countries has also been discussed by Scaramuzzi (2002). The World Bank, the Regional Development Banks, the United Nations Development Program (UNDP), USAID and national governments have all adopted business incubation as a policy instrument to assist the start-up and growth of SMEs in developing countries. However, Lalkaka and Abetti (1999) have warned that the long term economic sustainability of such programmes is at risk unless there are improvements in their design, operation and financing.

Nolan (2003) considered some policy principles in the development of business incubation in OECD (Organisation for Economic Cooperation and Development) member nations, encouraging policy makers to consider the alternatives available at lower cost, any possible economies of scale in incubation programmes and the fit between business incubators and their local country markets. Nolan observed that while job creation is by far the most common goal of business incubation schemes the development of the incubatees' businesses must take primacy over job creation, especially in the short-run.

Hackett and Dilts (2004b) observe that the overall policy environment for business incubators, in so far as many are publicly funded, can be 'politically charged', with it being in the interests of various stakeholders that business incubators are deemed a success (e.g. Bearnse, 1998). This, Hackett and Dilts note, is a state of affairs that researchers of the incubator phenomenon should be aware of. This issue will be tackled again later in Section 4.2.3, which addresses the possibility of bias arising from the involvement of the author of this study with the organisation that operates the business incubation facility under investigation.

Policy has been at the heart of business incubator expansion in both western and developing country settings. An important objective of this research is to highlight business incubation as a method of foreign market entry to policy makers and make recommendations about its further development.

2.2.9 Business incubator evaluation, measures of success and performance

The success and performance of business incubators are areas of interest to policy makers. Hackett and Dilts (2004b) observed that in early contributions to the business incubation literature, the area of 'impact research' had remained 'surprisingly understudied', and that it represented fertile ground for future research. Early research by Sherman and Chappell (1998) and Bearnse (1998) acknowledged a key challenge for meaningful research on business incubation and business incubators, namely the creation of control groups to compare incubated and non-incubated firms. The research reported in this thesis mainly seeks to examine the business incubation process taking place within an international business incubator, rather than to consider the impact and outcomes of business incubation. For this reason, control groups of non-incubated firms are not made use of in this study. However, the use of control groups and their importance for future research on business incubation as a method of foreign market entry is acknowledged.

Evaluation of performance at the level of the business incubator may include measures of enterprises and jobs created, research commercialised, as well as tax revenues generated and other social contributions (Lalkaka and Abetti, 1999). However, Barse (1998) also emphasised the importance of evaluation at the level of the incubatee, recommending not merely to focus on *growth* (in a incubatee's sales or number of employees), but also on a firm's *development* (in terms of product innovation, quality of management team and strategic alliances consummated).

Costa-David et al. (2002) led a study for the European Commission to benchmark the performance of business incubators across the European Union. The authors proposed that incubator performance needs to be judged in terms of long term impacts on businesses and wider economic development, including employment, rather than just on the short term survival of the incubatee, a view that is at odds with Nolan (2003) above. Amongst the benchmarks they propose are the number of graduates retained by incubators, cost per job, and the extent to which improvements in performance can be attributed to the support provided by the incubator, such as training, business advice, financial support and technology support.

Aerts et al. (2007) linked the screening practices of business incubators in Europe and the US to business incubator performance, measured in terms of incubatee failure. They observed that most incubators do not have a systematic screening policy, preferring to rely on the characteristics of the incubatee's market or its management team. However, the authors found a positive relationship between incubatee survival rate and a more balanced screening profile.

In terms of business incubation outcomes, Hackett and Dilts (2004b) have suggested that the first three of the following incubatee outcome states were indicative of success, whilst the last two indicated incubation failure:

- (i) The incubatee is surviving and growing profitably.
- (ii) The incubatee is surviving and growing and is on the path towards profitability.
- (iii) The incubatee is surviving but is not growing and is not profitable or is only marginally profitable.
- (iv) Incubatee operations were terminated whilst still in the incubator, but losses were minimized.
- (v) Incubatee operations were terminated, and the losses were large.

The measurement of success of business incubation, in terms of developing and supporting entrepreneurial activity, has also been considered by Voisey et al. (2006), who distinguished “hard measures” (e.g. sales turnover, profitability, growth etc.) from “soft measures” (e.g. increased business knowledge and enabling skills, more businesses awareness and increased client networking) for incubatees in a successful Welsh incubator. They proposed that when ‘soft measures’ are taken into account, instances where incubatees do not appear to have benefitted or have failed according to ‘hard measures’ (e.g. the last two states referred to by Hackett and Dilts, above), may be viewed in a different light. Hard and soft measures may also be applied to the incubator itself in terms of, for example, number of clients versus growth of expertise in the incubator management.

Xu (2009) conducted a survey of 61 incubator incubatees from well-established incubators in Shanghai. His findings indicated that incubator programmes were effective in cultivating entrepreneurs and their businesses, though they were stronger in enhancing image and reducing operating costs than increasing entrepreneurial and business skills. Counselling and mentoring services were rated as having little or no value and there was a low take-up of business assistance services, but there was a high value attached to networking between incubatees.

In this section a number of ways in which the performance of business incubators or business incubation can be evaluated have been reported. Whilst evaluating the performance of business incubation is not a key aim of this study, this exercise has highlighted some further, useful means for interpreting case study data.

2.2.10 Conclusions of the business incubator/incubation literature review

In the review of business incubators and business incubation, it has been observed that business incubators for domestic markets have already been defined, examined in terms of benefits e.g. Smilor (1987a) and categorised (e.g. Allen and McCluskey, 1990, Von Zedtwitz, 2003, Aaboen, 2009). However, business incubation for foreign market entry is noticeably absent from these categorisations. Furthermore, research about the impact of networking and social capital on the business incubation process (e.g. Bøllingtoft and Ulhøi, 2005, Tötterman and Sten, 2005, Hughes et al., 2007, McAdam and Marlow, 2008, Cooper et al., 2012) and the effectiveness and performance of business incubators (Costa-David et al., 2002, Hackett and Dilts, 2004b, Voisey et al., 2006, Aerts et al., 2007) has significantly increased our understanding of the business

incubation process in a domestic market context. However, it has not increased our understanding of the business incubation process taking place in foreign market entry settings.

In terms of the limited research into business incubators with cross border functionality, the 'international business incubator' was noted to have emerged in China (Chen et al., 2003, Lalkaka, 2003) and the USA (Mencin and Erikson, 2009), but research into its characteristics has mostly been descriptive in nature. Li (2009) has made an effort to expand upon business incubation as a method of foreign market entry concept in terms of its 'inward' versus 'outward' orientation and there has been some exploratory and initial research into considering the business incubator as facilitator for a firm's foreign market entry (e.g. Rask and Bøllingtoft, 2008, Ulrich and Hollensen, 2014). However, overall, a thorough investigation into the functionality of the international business incubator, as well as into the characteristics of the business incubation *process* within an international business incubator, has not been reported before in prior literature. Indeed, research has yet to provide a clear definition of an international business incubator or to provide any empirical evaluation of this as a model of foreign market entry (Lewis et al., 2011).

Over the past decade then, research has increased our understanding of the business incubation process, incubatee development and the evaluation of business incubators within the context of new or start-up firms in *domestic* markets - where they have predominated. However, the considerable research work done to date has shed little light on business incubation in *foreign* market entry contexts. Where there *has* been mention of business incubation as a method of foreign market entry or international business incubators in the literature, it has been at best descriptive and the phenomenon has certainly not been subjected to the same scrutiny as those incubators designed for domestic markets. As international business incubators become more prevalent, as witnessed by the adoption of such arrangements by export promotion organisations such as the Danish Trade Commission, the UK's China-Britain Business Council and UK India Business Council, along with Japan's JETRO, this gap in the business incubation literature becomes ever harder to ignore.

In light of the gaps highlighted above, an opportunity has been identified to make a contribution to the business incubation literature by conducting research which will increase our understanding of business incubation as a method of foreign market entry. This research will assist in the confirmation of a formal definition for the international business incubator. It will

also reveal the extent to which key constructs relevant to business incubation for growth in a domestic market (such as the development of credibility, entrepreneurial learning, physical space and access to business networks and support) are also relevant for business incubation for foreign market entry. The next section of the literature review will examine the international business literature with a view to identifying theories and frameworks relevant to the focus of this inquiry into how the business incubation process facilitates a firm's foreign market entry.

2.3 The foreign market entry mode and internationalization literatures

Business incubation has received little or no attention in the literatures on foreign market entry and internationalization (e.g. Welch et al., 2007). However, these streams of the international business literature will now be reviewed with a view to providing a theoretical basis for considering business incubation as a method of foreign market entry. Two respected text books on foreign servicing methods by Young et al. (1989) and Welch et al. (2007) provide the foundation for this review, along with seminal articles in international business such as those by Aharoni (1966), Anderson and Gatignon (1986), Kogut and Kulatilaka (1994) and Johanson and Vahlne (1977, 2009). Further digital literature searches were conducted using the key words 'foreign entry mode', 'foreign servicing mode', as well as, where necessary, those relating to particular operating modes, such as alliances, international sub-contracting, and so forth. In this chapter, Sections 2.3.1 to 2.3.7 will review foreign market entry theories and frameworks, and in Section 2.3.8 foreign market entry policy will be considered.

2.3.1 Terminology

The topic of this research is business incubation as a method of 'foreign market entry', but the disadvantages of this term have been noted by several writers. In the introduction to their book, *International Market Entry and Development: Strategies and Management*, Young et al. (1989) noted that the term 'foreign market entry' focuses on entry only, and overlooks the longer term dimension of international business relationships and the development of business in a foreign country. It is important, they argue, to consider not only the entry, but also the subsequent market development of a firm in a foreign market. These authors prefer the terms 'international market entry and development strategy' or 'foreign market-servicing strategy' to describe the methods employed by companies to penetrate international markets.

Likewise, Welch et al. (2007) in their book *Foreign Operation Methods: Theory, Analysis and Strategy* also prefer to use broader terms, such as 'foreign operation methods or modes' to refer to the ways that internationalizing organisations expand their markets and operate in foreign markets, observing that the term 'entry mode' is often over-stretched to include scenarios where modes are switched, or when the entry context no longer applies, or when foreign markets are not actually exploited by the internationalising firm, for example in off-shoring and outsourcing activity. Consequently, Welch et al. (2007) define 'foreign operation methods' as 'the institutional/ organisational arrangements that are used in order to conduct an international business activity, such as the manufacturing of goods, servicing customers, sourcing various inputs – in fact undertaking any business function (for example as depicted in a value chain)' (p.18). The use of 'business incubation' in an internationalization scenario is, however, temporary by nature, with the method of longer term foreign market servicing becoming apparent only once a firm or organisation 'graduates' from the incubator. The narrower term 'foreign market entry method' is therefore acceptable for the purposes of this research, although the terms 'foreign market servicing' and 'foreign operation mode' will also be used in this review, as appropriate. Consideration of such terminology will assist in the development of a definition for the international business incubator that is presented in Chapter 8 of this thesis.

2.3.2 Foreign market entry modes

The method a company selects to supply a foreign market has long been recognised as having a major influence on its success overseas (e.g. Hill et al., 1990), as well as being a strategic decision of major importance to the internationalising firm (Agarwal and Ramaswami, 1992, Burgel and Murray, 2000). In a framework devised by Luostarinen (1980), Figure 2.3 illustrates the huge variety of market entry methods available to companies, distinguishing between them on the basis of production in the home market versus production overseas; direct investment versus non-direct investment activities and production versus marketing operations.

According to Buckley and Ghauri (1999) there are three generic methods whereby a firm can penetrate a foreign market: exporting, licensing and direct investment. Welch et al. (2007) offer a broader classification of the modes used to operate in foreign markets, namely contractual modes, exporting and investment modes, under which the various sub-divisions of market entry mode are accommodated (see Figure 2.4).

Figure 2.3: Forms of international market entry

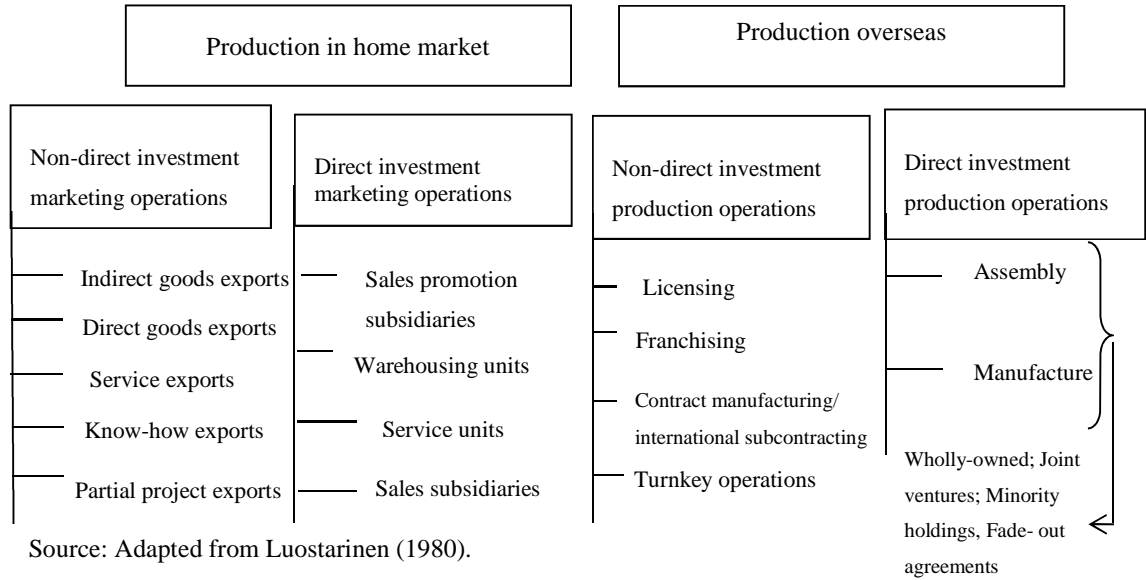
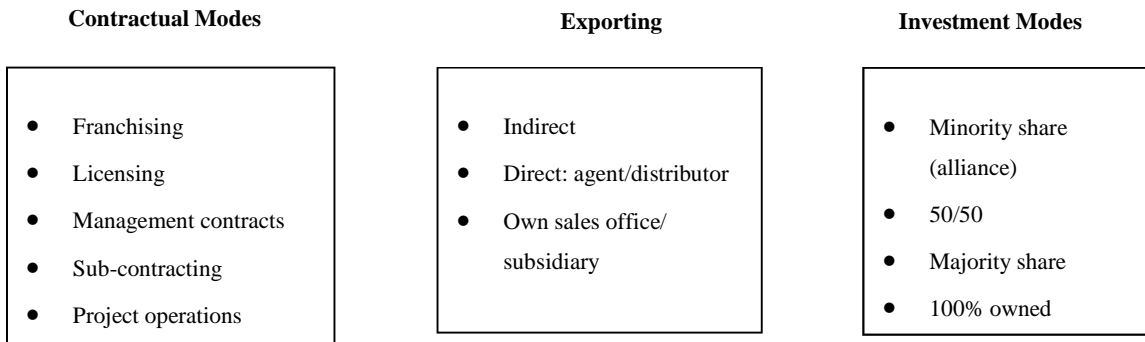


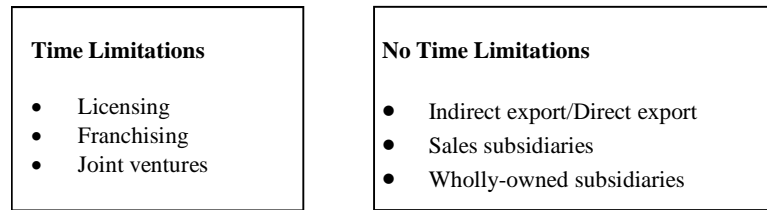
Figure 2.4: Major foreign operation methods



Source: Welch et al. (2007).

Young et al. (1989) have also observed that some modes, such as licensing, franchising and joint ventures, are subject to (contractually-defined) time limitations, whilst others such as exporting or wholly owned subsidiaries are not (Figure 2.5).

Figure 2.5: Time limitation dimension in foreign market servicing modes



Source: Young et al. (1989).

To sum up this section, foreign market entry modes come in many forms, but business incubation as a method of foreign market entry is absent from the existing groups and categories in the international business literature. The next section will look at the above modes in more detail.

2.3.3 Characteristics of the main types of foreign market entry modes

The characteristics of the sub-divisions of foreign operations modes mentioned above will now be briefly examined. Such characteristics will provide points of comparison for business incubation as a method of foreign market entry, thereby allowing us to evaluate it from a theoretical perspective

2.3.3.1 Contractual modes

Contractual modes of foreign market servicing, such as franchising, licensing, sub-contracting and alliances are regarded as lower risk, lower commitment and lower cost foreign operation modes as compared to the alternatives (Welch et al., 2007). However, this is somewhat of an over-simplification. For example, whilst the ‘franchising’ mode is seen as a means to achieve rapid and extensive global penetration via the motivation, financial commitment, and market knowledge of local franchisees, Welch et al. (2007) observe that it is far from straightforward. This may be because, for example, of the advantages and disadvantages of the different options available (direct franchising, master franchising and so forth) and whether outlets are franchisee owned or internally owned by the internationalising firm. The replication of the franchise format in cultures different from that of the originating country is also not straightforward, since, for example, the task of standardization and the capabilities required to conduct successful franchising become more complex due to host country differences and distances from the home country (Fladmoe-Lindquist, 1996).

Meanwhile, the 'licensing' mode gives rise to the potential for the licensor to lose control of technology or create competitors amongst ex-licensees. It is therefore seen as a mode which requires on-going, active involvement and commitment from the licensor (Welch, 1999). 'International sub-contracting', defined by Sharpston (1975) as 'all export sales of articles which are ordered in advance, and where the giver of the order arranges the marketing' (p.94), is a mode which is able to serve both home and host markets and has seen rapid growth in recent decades. However, it can bring with it 'additional practical demands, problems, unanticipated costs and strategic risks' (Welch et al., 2007 p.192). The 'project operations' mode is also 'messy and awkward' (p.233). However, some contract-based modes, such as management contracts and licensing, are seen by Welch et al. (2007) as possible stepping stones to deeper foreign market commitment later.

Alliances are regarded as being an important operation mode for internationalizing firms, but they come in diverse forms and are regarded as being complex and difficult to operate (Contractor et al., 2011). They can assist a firm to penetrate markets by linking with a partner firm's resources, knowledge, contacts, credibility, finance and technology (Lu and Beamish, 2001, Welch et al., 2007). Alliances can also help an internationalising firm to overcome challenges arising from the local business environment, such as language, culture and government regulations. But international alliances are also said to be vulnerable to termination by one of the parties (Contractor et al., 2011). Negotiating and designing optimum alliance relationships is not easy. For example, too tight an 'embrace,' or too high a degree of interaction between the alliance partners, increases coordination costs and the chance of unintended technology leakage (Contractor et al., 2011).

2.3.3.2 Exporting Modes

Exporting is recognised as a key mode for companies wishing to achieve foreign market penetration. Nevertheless it also requires commitment to make it work. A study by Munro and Beamish (1987) revealed that good performance by local intermediaries (e.g. agents or distributors) cannot be achieved by compensation alone, nor by the threat of losing the exporter's business, but requires increased and active support from the exporter in the form of regular contact and visits to the foreign market. New entrants with little experience may find themselves at the mercy of a distributor (Burgel and Murray, 2000). Unsatisfactory experiences

with intermediaries often lead to a decision to switch from indirect (e.g. distributors) to direct exporting (e.g. selling direct to end users).

With complex and high-technology products, direct exporting is often preferred over indirect exporting, as it can ensure better relationships and smoother communication with the end-user, as well as improved information flows from the host country. Direct links to the customer also ensure a greater understanding of the market, as well as the augmentation of in-house knowledge and skills. Welch et al. (2007) argue that such advantages can potentially form a 'spring board' to the establishment later of a sales subsidiary (if sales grow sufficiently), helping the company to overcome the difficulties of managing market development from a distance. The authors go on to say that whatever the starting form (e.g. direct or indirect), exporting may often be a stepping stone to use another foreign operation mode, or modes, either because of the need to solve particular problems or because of an increase in market size, or for other reasons.

2.3.3.3 Investment modes

The foreign direct investment (FDI) mode is seen as dominating international business activity. Firms that engage in FDI have also been acknowledged as being more productive than those that engage in international outsourcing or exporting (Tomiura, 2007). However, the FDI mode requires a high level of costs and commitment, and this can bring risk to smaller and newly internationalizing companies. There are high costs attached to failure, particularly in the M&A (merger and acquisition) form of FDI, owing to the challenges of integrating organisations and cultures. Moreover, whilst the wholly owned subsidiary (WOS), or Wholly Foreign Owned Enterprise (WFOE) in the context of China, is often the preferred mode of FDI, its success is still dependent on a company's experience. Arguments for choosing an 'joint venture' mode of FDI (such as rapid access to distribution channels, the easier navigation of local regulations and so forth) may seem to signal easier market penetration, but lack of control and the threat of leakage of technology can still make it a risk in the long term. While FDI may be regarded as a last step in the penetration of a market, Welch et al. (2007) point out that it is often used in combination with a range of other modes to service any one market. It is also worth pointing out that FDI may well be a starting point for divestment and externalisation activity.

To summarise this section, the various types of market entry modes described above, along with their advantages and disadvantages, provide alternative methods of market entry for

internationalising firms. By introducing them, a point of comparison for categorising business incubation as a method of foreign market entry has been provided. This is also an important objective of this research.

2.3.4 Foreign entry mode flexibility and switching

Owing to the diversity of foreign market situations, it is not uncommon for firms to adopt a variety of foreign operation modes over time, or indeed at the same time, and for these to change, develop, be added to or used in combination according to market circumstances (Benito and Welch, 1994, Welch et al., 2007, Benito et al., 2009). Indeed, firms 'will often operate on a market by market basis, using market servicing flexibility as one of a variety of means to gain competitive advantage' (Young et al., 1989 p.4).

According to Young et al. (1989) there is also likely to be a degree of interdependency between choice of market and market entry mode. In a market with a large potential, a sales subsidiary may be justified, whereas a small market may be more cost effectively serviced by an agent or by indirect export modes. However, while firms tend to use investment modes in high potential markets, it has also been found that they may invest in low potential markets if their strategic objectives (e.g. future growth and profits) dictate it necessary (Agarwal and Ramaswami, 1992). The government policies of some markets may also restrict market entry choice and this may require flexible strategies from new entrants. For example, Chinese regulations stipulate that joint ventures are necessary in some sectors (e.g. telecommunications, automotive assembly), preventing investors from selecting the Wholly Foreign Owned Enterprise entry mode (see also Section 4.3.2.3, below).

When mode switching occurs, this may arise from a firm's proactive decision to penetrate a market more deeply and with greater conviction, or as a reactive decision to correct managerial misjudgements or adapt to new circumstances, amongst other things. A study by Calof and Beamish (1995) found that mode switching tends to occur following changes in either the constraints (resources or regulations) faced by the internationalising firm, or its perceptions of the market, or changes in mode costs and benefits. The switch which then follows will depend on factors that include the nature of the stimuli, the firm's level of resources and the firm's experience and international skills. Indeed, Welch et al. (2007) observe that mode shifts tend to be more reactive outcomes (resulting, for example, from increased resources, a change in

ownership, or the need to respond to a problem), rather than systematic streamlining of the entrant firm's organisational structure.

Pedersen et al. (2002) have argued that the foreign entry mode literature has tended to place emphasis on the drivers for change rather than the impediments, labelled by Weiss and Anderson (1992) as 'switching costs.' According to Weiss and Anderson (1992), there are two kinds of switching costs, namely 'take-down costs' and 'set-up costs.' In the context of mode switching, 'take-down costs' are those losses associated with a change from the current operating arrangement, such as severance costs due to an agent or a temporary loss of customers. 'Set-up costs' are those associated with setting up new arrangements, such as the hiring and training of new people, or the acquisition of new premises, and so forth. In addition, switching costs may also include the risk to reputation (e.g. withdrawal from a previous mode), the increase in assumed risk perceived by the decision-makers (e.g. replacing a well-known low commitment mode with an unfamiliar high commitment one, or lack of knowledge), or simply understanding the implications of alternative mode options and their combinations. Pedersen et al. (2002) found that both take-down and set-up switching costs may lead to a postponement to a firm switching to an FDI mode, even if they have already acquired the knowledge necessary to conduct in-house operations. Furthermore, their findings indicated that in the absence of potential switching costs more exporters may complete mode shifts.

A review of issues relating to mode flexibility and switching is important for understanding the motivations of firms when they enter and leave an international business incubator. In this section, it has become clear that it would not be unusual for one mode (say, business incubation) to support another (say, exporting) and that the choice of market (say, one with a high potential) may influence mode selection. Some of the drivers for a company switching from one mode to another are now understood, along with how switching may be influenced by 'set up' or 'take down costs'.

Some further theoretical perspectives on the internationalization of the firm, in particular how a firm's deepening commitment to a foreign market may be influenced by rational economic decisions, or by the gradual accumulation of networks, knowledge and experience now follow.

2.3.5 Theoretical approaches to choice of foreign entry mode

The literature on the theory of foreign market entry mode choice will now be reviewed. This will inform subsequent discussion on the choice of business incubation as a method of foreign market entry.

There are two broad streams of theory which are used to explain a company's choice of foreign operation methods. On the one hand, there is an 'economics-strategy' stream which encompasses market imperfections theory, organisational economics theories (such as internalisation and transaction cost theories) strategic behaviour theory, resource based theory and Dunning's Eclectic framework (Dunning, 1993). On the other, there is a 'process oriented' stream, loosely termed 'the internationalization process', which encompasses organisational learning and network approaches. The former stream assumes rational and timely decision-making by the firm, with an emphasis on costs and benefits. In the latter stream, decision-making is regarded as a more gradual process, informed by the accumulation of knowledge and experience, characterised by a 'bounded rationality', and influenced by individuals, organisations and networks of actors. Understanding how a firm internationalizes from a theoretical perspective, provides the means to discuss and understand the business incubation process experienced by firms adopting business incubation as a method of foreign market entry.

2.3.6 The economics-strategy stream

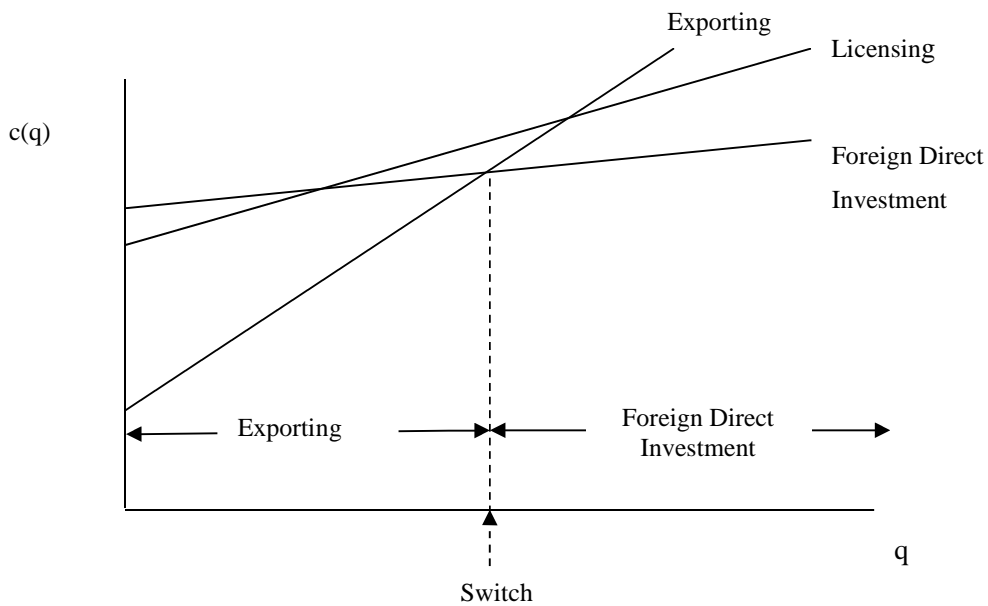
From an economics perspective, the feasibility of entry into a foreign market depends on the extent to which a firm possesses 'ownership' or 'proprietary advantages' (e.g. brands, technologies, resources), which can help it overcome its 'liabilities of foreignness' (Zaheer, 1995), which was defined above in Section 1.2. In this regard, the choice of market entry method can be influenced by the nature of 'ownership-specific' or 'firm-specific advantages' (Rugman, 1981), which can then give rise to an imperfect market in favour of the foreign entrant (Welch et al., 2007). For example, if a firm possesses advantages related to proprietary technology, it may select a foreign operation mode with more control, e.g. a wholly owned subsidiary, in order to ensure greater protection for that technology.

Continuing with the economics perspective, and according to transaction cost theory, a firm may initially establish overseas operations in response to market imperfections in cross border transactions. In other words, instead of continuing to bear the costs of such transactions (e.g.

shipping, agency costs, licensing, commissions, and so forth), the firm will make a rational decision to 'internalise' its foreign sales activities, for example by setting up its own sales subsidiaries or production operations (Buckley and Casson, 1976).

In a model created by Buckley and Casson (1981) the timing (and outcome) of mode switching from export to licensing or FDI is seen as being dependent upon the cost of foreign market servicing $c(q)$ and the demand conditions in the market (q). The model proposes that a firm will make a rational decision to switch modes based on the costs of exporting versus the costs of licensing or FDI. Figure 2.6 shows how sales in the foreign market will reach a point where production in the foreign market becomes worthwhile. The choice of foreign operation mode then becomes an economic decision. This analysis of rational decision making, and its relationship with mode switching, is useful when considering why a firm may choose to leave an international business incubator. Business incubation will be incorporated into the Buckley and Casson model later, in Section 7.6.1.

Figure 2.6: The optimal timing of foreign investment



Source: Buckley and Casson (1981).

Anderson and Gatignon (1986) continued this rational (economic) approach by using transaction cost analysis to help managers compare the costs and benefits of strategic alternatives and to select an entry mode that maximises long-run efficiency (measured in terms

of the risk adjusted rate of return on investment). According to Anderson and Gatignon, control is the single most important determinant of risk and return. They argued that high control modes can increase return, but also risk, whilst low control modes can reduce resource commitment, but at the expense of return. Entry with greater control is recommended for firms with highly proprietary products or processes or with high value brand names, whilst entry with lower control is acceptable for firms with more mature classes of product. That said, the authors acknowledge that government restrictions in a host country, as well as production costs and existing market experience, also need to be considered. The importance of risk and control to a firm's decision to select business incubation as a mode of foreign market entry will be considered in Chapter 5.

The business strategy approach within the 'economics-strategy stream' focuses on the nature of decision making in organisations and the role of corporate planning. For example, the decision to enter a foreign market may be not be influenced by the immediate demand in that market, but rather by strategic considerations, such as need to keep up with global competitors in a 'follow-the-leader' fashion, as, described by Knickerbocker (1973); or the perceived need to be able to meet the needs of the local market (Bartlett and Ghoshal, 1988). It may also be related to learning, access to expertise or partnerships, long term strategy or diversification, or the need to put a 'toe in the water' or an 'ear to the ground' (Young et al., 1989 p.24). According to Hill et al. (1990), the choice of foreign entry mode may also be a question of the perceived level of control required to co-ordinate global strategic action. This may be determined by 'strategic variables' (such as scale economies and global concentration), or 'environmental variables' (such as risk and cultural differences). Moreover, Young et al. (1989) point out that a firm may have multiple short-term or long-term objectives in entering a market (e.g. profit-oriented, market-oriented, competitor-oriented) which may need to be accommodated by the choice of foreign market entry. It may be that business incubation as a method of foreign market entry may be more conducive to particular business strategies than others.

According to Kogut and Kulatilaka (1994), firms should view investments and (the building of) organisational capabilities, as creating 'real' options or platforms to expand into new products or markets. Technology drivers, joint ventures, flexible manufacturing skills and 'country platforms' are all given as examples of options, which enable firms to position themselves favourably in the face of future uncertainty, adversity or opportunity. The authors explain that firms may initially establish distribution channels or learn how to do business in a country

ahead of building the capability to launch further products or services. They also argue that doing so in a developing country – where a market has not yet taken off - may secure a better long term pay-off than in a developed country. The value of such a platform may be measured not only in terms of net cash flow and dividends, but also in terms of what market specific knowledge has been learned, how brand names have become more recognised, and how many new contacts with customers have been made. The overall message is that investment in physical or human assets or in organisational capabilities should be built in foreign markets in anticipation of the future. An understanding of options or platforms offers a possible theoretical explanation of the role that business incubation can play in a firm's foreign market entry. This perspective will be re-visited in Section 8.2.

2.3.7 The process-oriented stream

A review of the 'process-oriented stream' also highlights further theories which can help us explore a firm's decision to select business incubation as a market entry mode. This stream of literature also provides pointers to the possible benefits experienced by the firm during business incubation, which is covered in Chapter 6..

The 'internationalization process' stream has tended to view the decision surrounding the selection of market entry mode from the perspective of a more bounded rationality (where outcomes are influenced not just by economics, but are also partial to human limitations and interventions) and through the lens of organisational learning processes. In contrast to the economics strategy stream, which places importance on rational decision making, the process-oriented stream accepts that decision making is not always straight forward and rational. Indeed, the investment decision, particularly for those unfamiliar with foreign investment, has been described by Aharoni (1966) as a very complicated social process involving individual actors interacting with each other and their organisations over time and in the midst of change, distractions, uncertainty and constraints. The situation may be exacerbated by a lack of information or knowledge about the business conditions, amongst other things.

Buckley et al. (2007) also suggest that while managers may adopt a rational approach (in favour of the firm) to short-listing sets of investments for consideration, the final decision on an investment will be influenced by factors more specific to the managers themselves - for example their own FDI experience and familiarity or comfort with country-specific factors, such as culture or language (so-called 'individual-manager-focused rationality'). The

implication is that a firm's final choice of investment may end up being highly idiosyncratic and subject to the bias of the individual manager as decision-taker.

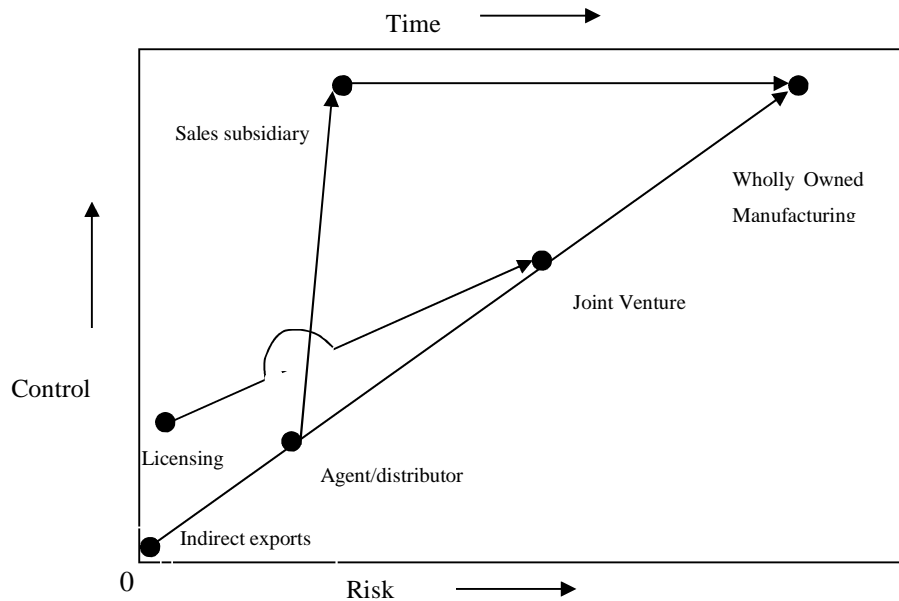
Johanson and Vahlne (1977) acknowledged the accumulation of knowledge and experience as a means to overcome the uncertainty faced by a firm which is entering a new market. They developed a model of the internationalization process that focused on the individual firm - in particular its gradual acquisition of knowledge and its increasing commitment to foreign markets. The model, which has become known as the Uppsala model or 'stages' theory of internationalization, sought to demonstrate that rather than making large investments in a foreign country at a single point in time, firms develop their international operations in an incremental, step by step manner, learning as they go (Johanson and Wiedersheim-Paul, 1975). The model asserts, for example, that firms would first export via an agent or distributor in the foreign market, then set up a sales subsidiary and then perhaps at a later stage set up a production facility. As the firm seeks to increase long term profit and minimise risk, the decision-making required to move from one stage to another may also be influenced by *psychic distance* between home and host country, defined as the 'sum of factors preventing the flow of information from and to the market' (Johanson and Vahlne, 1977 p.24).

In the Uppsala model, the current activities of a firm at any one stage helps to build experience, which in turn strengthens knowledge and helps reduce uncertainty about making further commitments. A framework for understanding different kinds of knowledge and how these are acquired by the firm during the internationalization process has been presented in more recent research by Fletcher and Harris (2012) and Fletcher et al. (2013). Within the context of knowledge building, Johanson and Vahlne (1977) have also recognised the key role of those persons 'working on the boundary between the firm and its market and their ability to interpret information from inside the firm and from the market' (p.29). The importance of these 'boundary workers' will be re-visited in Sections 6.2.2 and 8.3.

In support of the view that a firm's internationalization is incremental, Root (1998) asserts that as firms become more experienced, they will choose entry modes which provide greater control over foreign market operations. Greater control implies a greater commitment of resources and therefore more risk, but over time this trade off can be accommodated by firms as their confidence grows. As shown in Figure 2.7, below, early on its internationalization, a firm may wish to adopt low risk/low control export modes. Later, it may be confident enough to enter a

market as an equity investor or through a wholly owned subsidiary. Licensing agreements and marketing/sales subsidiaries also offer choices that may be expressed as trade-offs between control and risk. Root's model of how a firm's commitment to a foreign market may deepen within the context of risk and control will provide an opportunity (in Section 8.2) to illustrate the risk/control characteristics of business incubation.

Figure 2.7: Evolution of a manufacturer's decision on entry mode



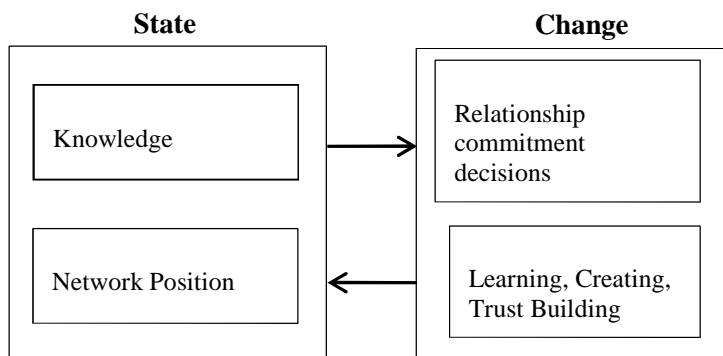
Source: Root (1998).

In business settings, managers form networks to gain access to information and scarce resources (Granovetter, 1985). Network relationships are also acknowledged to have a positive impact on the internationalization process of the firm. Coviello and Munro (1997) integrated the incremental or 'stage' views of internationalization with a network perspective of the international firm. In their research, the authors observed that operating in markets characterised by volatility, rapid growth and technological change, the selection of foreign market entry is heavily influenced by direct and indirect relationships with major partners and other industry players. Such network relationships enable firms to internationalize more rapidly, and at the same time can also increase their learning and therefore their ability and preparedness to drive their market expansion and development activities. In a later study, Moen et al. (2004) suggested that the role of networks can be more important than experience in a firm's selection of market and foreign market entry mode. The role of social ties in the early stages of

internationalization (Harris and Wheeler, 2005) and their influence on the creation and exploitation of business opportunities (Ellis, 2010) have also been recognised in the literature.

In their more recent work, Johanson and Vahlne (2009) have acknowledged the importance of business relationships by incorporating the network view into their model of the internationalization process (see Figure 2.8 below). The revised model depicts, via flows between state and change variables, the dynamic, cumulative processes of learning, and trust and commitment building. For example, ‘knowledge’ - both internal (of needs, capabilities, strategies) and external (of business opportunities and networks), can give rise to greater commitment to relationships or networks within the foreign market. This in turn may give rise to further learning and trust building and, by capitalising on knowledge, to a more efficient creative process. The outcome will be to enjoy an improved partnership and network position, which in turn can lead to further knowledge and opportunities. In this way the internationalization process is gradual and dependent on the accumulation of knowledge and network relationships. ‘Insidership’ in relevant networks is seen as necessary for successful internationalization and on-going business development in a foreign market (Coviello, 2006, Johanson and Vahlne, 2009).

Figure 2.8: The business network internationalization process model



Source: Johanson and Vahlne (2009).

The process-oriented literature has shown in particular that knowledge accumulation and network relationships can have a positive influence on the internationalization process of the firm. Such insights will be important when the commonalities of business incubation and internationalization processes are discussed in Section 2.4.

2.3.8 Foreign market entry and policy

As indicated in Sections 1.2 and 2.2.4, OIBD international business incubators are often established as a result of government policy and subsequently operated by export promotion organisations. It is useful to briefly consider the link between government policy and foreign market entry.

National governments have long been concerned with helping firms to enter foreign markets. Export support programmes are intended to improve the international competitiveness of domestic firms and to improve a country's trade balance (Diamantopoulos et al., 1993). As a further incentive, exporting firms have been found to have higher employment growth and probability of survival (Bernard and Bradford Jensen, 1999). Organisations responsible for delivering export promotion programmes, known as 'Export Promotion Organisations' (EPOs), exist in wholly government funded, partly government funded or privately funded forms, depending on a country's trade policy and its view towards government intervention in the business sector (Diamantopoulos et al., 1993).

According to Kotabe and Czinkota (1992), the export promotion activities of such organisations generally comprise:

- (i) Export service programmes (e.g. seminars for potential exporters, export counselling, how-to-export handbooks, and export financing).
- (ii) Market development programmes (e.g. dissemination of sales leads to local firms, participation in foreign trade shows, preparation of market analysis, and export news letters).

In particular, the importance to foreign market entry of participating in international trade fairs (Serinhaus and Rosson, 1998) and trade missions (Serinhaus, 1989, Spence, 2003) has been recognized in the literature. It has been argued that where EPO resources are scarce, such practical assistance is more valuable than general export market information alone, especially for firms needing more face to face interaction with customers (Bell, 1997, Moen et al., 2004).

Francis and Collins-Dodd (2004) have found that in general, export promotion programmes can have a positive effect on the achievement of export strategies and the building of export marketing competencies, though sporadic and active exporters tend to benefit more than

experienced international firms. In recent years, national government 'export promotion' efforts have broadened to support not only exports, but also the setting up of overseas operations (e.g. wholly owned subsidiaries and joint ventures) which are seen as enhancing the strength of domestic firms and increasing invisible earnings. However, according to the literature review conducted for this study, business incubation as a method of foreign market entry, the subject of this particular study, has not been covered at all in the EPO literature.

2.3.9 Conclusions of foreign market entry and internationalization literature review

Business incubation as a method of foreign market entry has received little or no attention in the literatures on foreign market entry and internationalization (e.g. Welch et al., 2007). However, these streams of the international business literature were reviewed with a view to providing a theoretical basis for considering business incubation as a distinct foreign market entry mode in its own right.

During the literature review the generic methods of foreign market entry were examined with a view to positioning, and providing points of comparison, for business incubation as a method of foreign market entry. Furthermore a number of factors were identified as influencing the choice of market entry mode and subsequent mode switching. Desired control and its impact on risk and control was posited by Anderson and Gatignon (1986) as being an important determinant of market entry mode, whilst Root (1998) suggested that over time, and with experience, managers gravitate towards modes which provide greater control. For Kogut and Kulatilaka (1994), mode choice has the potential to create 'real' options, enabling firms to position themselves in the face of future uncertainty, adversity or opportunity. For Buckley and Casson (1981), a switch from one mode to another is a rational decision triggered by both the cost of foreign market servicing and the demand conditions in the market.

However, the foreign investment decision is complex (Aharoni, 1966), and not always therefore determined by rational analytical means. According to Buckley et al. (2007) managers' final investment decisions can be highly idiosyncratic, and subject to biases that they might not be aware of. Moreover, liabilities of foreignness, such as lack of knowledge, together with cultural differences, have been acknowledged as being significant barriers to successful foreign market penetration (Buckley, 1989, Zaheer, 1995). Along with a lack of business networks, these may also be amplified into liabilities of 'outsidership' (Johanson and Vahlne, 2009), whilst lack of credibility also delays the establishment of stable relationships with clients (Burgel and Murray,

2000). Furthermore cultural distance increases the cost of foreign market entry and inhibits the progress of foreign market commitment (Barkema et al., 1996). Johanson and Vahlne (1977) acknowledged that gradual accumulation of knowledge and experience gives rise to ever greater commitment to a market, whilst Coviello and Munro (1997), Ellis (2010) and Johanson and Vahlne (2009) have acknowledged that effective business and social networks are linked to successful market entry and development.

Although business incubation as a method of foreign market entry has not featured as a foreign market entry mode *per se* in the international business literature, this review has identified the theoretical foundations for understanding and characterising it. The importance of factors such as risk and control to the foreign market entry decision has been acknowledged, along with how resource, network, experiential and strategic considerations can influence market entry and mode switching behaviour. The theoretical insight into these issues provided by the review of this literature will be extended into the context of business incubation in this thesis and the research findings will provide the opportunity to reassess and add value to extant theories.

2.4 Synthesis of business incubation and international business literatures

In this section, some relevant themes that the business incubation and international business literatures have in common are discussed. These observations inform the theoretical approach taken in this inquiry into how the business incubation process facilitates a firm's foreign market entry.

The review of the extant business incubation literature recognised that it primarily relates to start-up firms seeking to develop in their domestic markets. However, it is already becoming apparent that some characteristics of business incubation resonate strongly with those factors accepted as being helpful for a firm's foreign market penetration. This is to say (perhaps unsurprisingly) that some key needs and challenges of a start-up firm setting up in a domestic market (and which are purported to be satisfied by business incubation) are similar to those of an established firm wishing to enter a foreign market, albeit within a different context (see Table 2.1).

Table 2.1: Advantages of using business incubators in start-up and foreign market entry

Advantages for a start-up firm	Challenges faced by foreign market entrants
Overcoming liabilities of newness (Bøllingtoft and Ulhøi, 2005, Phan et al., 2005)	Overcoming liabilities of foreignness, alienness or outsidership (Zaheer, 1995, Burgel and Murray, 2000, Johanson and Vahlne, 2009)
Access to networks (Hansen et al., 2000, Tötterman and Sten, 2005, Bøllingtoft and Ulhøi, 2005, McAdam and Marlow, 2008)	Access to networks (Coviello and Munro, 1997); use of social ties (Ellis, 2010)
Provision of knowledge and enabling skills (Voisey et al., 2006 p.466)	Accumulation of knowledge and experience (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009)
Development of credibility (Smilor, 1987a, McAdam and Marlow, 2008, Xu, 2009)	Lack of credibility with new customers; lack of roots in local environment (Zaheer, 1995, Burgel and Murray, 2000)

As mentioned in the business incubation literature, Bøllingtoft and Ulhøi (2005) highlighted the role that business incubation can have in addressing ‘liabilities of newness’ (the need for administrative support; lack of visibility owing to the age of a company; and being on one’s own versus being in a community of peers). Such factors resonate strongly with the ‘liabilities of foreignness’ concept highlighted by Hymer (1976) and defined by Zaheer (1995) as those additional costs experienced by a firm operating in a foreign market compared to a local firm. Zaheer argues that liability of foreignness implies that foreign firms will have lower profitability than local firms and, all else being equal, perhaps a lower probability of survival.

Where start-up and foreign market entry challenges overlap (for example in the field of international entrepreneurship) Burgel and Murray (2000) have also suggested that the concept of ‘liability of newness’, where young firms face disadvantages because ‘stable relationships with clients are not yet established’, can be amplified into ‘liability of alienness’ (p.56), where foreign customers are reluctant to rely on small untested foreign suppliers. It can be argued that the advantages provided by incubators in overcoming liabilities of newness may well be extendable to foreign market entry scenarios.

In Section 2.2.6 above, the business incubator was observed as being to able offer a valuable network infrastructure to its incubatees, creating links with external experts and services (Smilor, 1987a, Hansen et al., 2000). Research by Bøllingtoft and Ulhøi (2005) suggests that business incubators where networks are active can address ‘liabilities of newness’, while Tötterman and Sten (2005) found that support in the creation of business networks by the

incubator is highly valued by incubatees. A study by McAdam and Marlow (2008) also found that young firms benefited from being in close proximity to other firms, where relationships were viewed as providing support during the vulnerable start-up and early growth phases of a firm.

As explained, in Section 2.3.7 above, Coviello and Munro (1997) acknowledged the advantage network relationships and their impact on the internationalization process of the firm, in terms of the speed of internationalization and their contribution to learning, ability and the preparedness for market expansion and development. Local market knowledge from individuals within informal personal networks has been acknowledged as being especially important in the early stages of internationalization (Harris and Wheeler, 2005). Johanson and Vahlne (2009) have also linked the benefits of network development to 'insidership', while Ellis (2010) has proposed that the exploitation of opportunities for international exchange can often arise from 'boundary spanning social ties', and participation in trust-based social and business networks. Such ties can lower costs, risks and uncertainty and help to overcome geographic and cultural barriers, as well as lack of access to information. In this sense, the network advantages of business incubation are likely to be beneficial to a firm or organisation's foreign market entry.

As mentioned in Section 2.2.7, entrepreneurial actors have been recognised as possessing specialized knowledge but lacking general business skills (Lyons, 2000). Within the business incubation literature the benefits to learning that incubators extend to incubatees has been recognised by Smilor (1987a) and the network advantages of business incubators have also been closely linked to the accumulation of knowledge. Hansen et al. (2000) maintain that institutionalized processes that transfer knowledge throughout the incubator network can facilitate the development of incubatees, while Lewis et al. (2011) acknowledge the role of peer-to-peer learning and mutual support as critical to incubator success. Voisey et al. (2006) also maintain that knowledge and enabling skills are amongst the 'soft' outcomes of business incubation.

'Liabilities of foreignness', as mentioned above in Section 1.2, can include a lack of knowledge about a foreign market, along with a general unfamiliarity with language, education, business practices, culture and industrial development (Zaheer, 1995). In Section 2.3.7, the accumulation of knowledge and experience was acknowledged by Johanson and Vahlne (1977) as a means to overcome the uncertainty faced by a firm which is entering a new market, with the gradual

acquisition of knowledge thereafter linked to a firm's increasing commitment to it. The benefits to learning and knowledge accumulation attributed to business incubation may therefore also be beneficial to firms seeking greater familiarity about a foreign market before increasing their commitment to it.

The development of credibility is seen as a benefit arising from business incubation (Smilor, 1987a). Indeed McAdam and Marlow (2008) found that the credibility and image of incubatees could actually be enhanced by association with a business incubator (in this case a university incubator). According to Bøllingtoft and Ulhøi (2005), business incubation helps a firm to address those 'liabilities of newness' associated with a lack of visibility owing to the age of a company. Such benefits could well be extended to addressing 'liabilities of alienness', highlighted by Burgel and Murray (2000) as being linked to a lack of credibility with new customers in foreign markets. Zaheer (1995) also attributed liabilities of foreignness to 'lack of roots in a local environment.' The increase in credibility enjoyed by incubatees is therefore likely to be beneficial to firms entering new foreign markets.

The notion that business incubation as a method of foreign market entry should be able to help a firm (incubatee) develop into a successful 'graduate' in the same way as a domestic market incubator can help a start-up firm is not surprising. As illustrated in Table 2.1, the needs of start-up and internationalising firms are not so different. Indeed Johanson and Vahlne (2009) have argued that 'internationalization resembles entrepreneurship and may be described as corporate entrepreneurship' (p.1423). Furthermore, according to Oviatt and McDougall (2005), where a traditional (non-start up) firm adapts products and services to new foreign markets, this can be described as entrepreneurial.

The 'internationalization process' experienced by the firm is a well-researched stream in the international business literature (e.g. Johanson and Vahlne, 1977, Cavusgil, 1984, Coviello and Munro, 1997, Johanson and Vahlne, 2003, Johanson and Vahlne, 2009). However, as the above literature review has shown, the 'business incubation process' experienced by a firm entering a foreign market is less understood. In the above literature review and subsequent synthesis of knowledge from the business incubation and international business literatures, seven key 'research themes' relevant to this inquiry into how the business incubation process facilitates a firm's foreign market entry have been identified.

These research themes are:

1. Risk and control (Anderson and Gatignon, 1986, Root, 1998)
2. Decision making (Aharoni, 1966, Buckley et al., 2007)
3. Options thinking (Kogut and Kulatilaka, 1994)
4. Knowledge (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009)
5. Networks (Coviello and Munro, 1997, Hansen et al., 2000)
6. Switching behaviour (Buckley and Casson, 1981, Pedersen et al., 2002)
7. Liabilities of foreignness/newness (Zaheer, 1995, Bøllingtoft and Uthøi, 2005, Johanson and Vahlne, 2009)

In the next chapter, these themes are shown to inform the research design and data analysis in this study.

2.5 Chapter summary

In this chapter, both the business incubation and relevant strands of the international business studies literatures have been reviewed. Business incubation as a method of foreign market entry is shown to have received very little attention in these literatures. However, this review has discussed theories that are useful and relevant for an investigation into this topic, and through a synthesis of the literatures, seven 'research themes' have been identified that will inform the research design, data analysis and theorising of this thesis.

Chapter 3: Research design and methods

3.1 Chapter introduction

The literature review presented in Chapter 2 demonstrated that business incubation as a method of foreign market entry is relatively new phenomenon which has been overlooked in the literature until now. However, seven research themes were identified in Section 2.4, through which the phenomenon of business incubation as a method of foreign market entry can be investigated, examined and conceptualised. In this chapter, there is a discussion on the critical realist epistemology, multiple case study method and abductive approach that have been adopted to address this inquiry into how the business incubation process facilitates a firm's foreign market entry.

In Section 3.2.1, the philosophical approach of this research is discussed, while in Section 3.2.2 the case study methodology which has been adopted in this research is described. In Section 3.2.3, issues of positionality and reflexivity are discussed, whilst in Sections 3.3 to 3.7, units of analysis, case study selection, interview scheduling and the approach to data analysis are considered.

3.2 Epistemological and methodological approach

When conducting research and claiming to make a contribution to knowledge, a researcher must state his or her epistemological approach. In this section, critical realism, the approach adopted in this study, is briefly discussed. This is followed by an introduction to the methods selected for conducting the case studies in this research.

3.2.1 Critical realism

Critical realism is an epistemology attributed to Roy Bhaskar (1944 -). It makes an ontological assumption that there is a real world out there, which acts independently of our knowledge or beliefs about it, but which is ultimately 'knowable' if we dig deeper than what appears on the surface. However, this epistemological approach recognizes that researchers' knowledge is socially produced and is therefore fallible, and this motivates the need for and possibility of critically evaluating theories (Miller and Tsang, 2011).

Critical realists recognize that the real world is more complex than scientific experimentation is able to explain, because such experimentation works by isolating and studying single mechanisms, the findings of which tend to serve as demonstrations of tendencies rather than providing explanations. For the critical realist, science is about understanding structures, mechanisms, powers and tendencies, not just event regularities that may happen in 'closed', rather than 'open' systems - which are more representative of the real world.

Critical realism asserts that it is the interaction between human individuals (or 'agents') and social structures that gives rise to social phenomena. Furthermore, in the relationship between structure and agency, 'it is only through the activities of social agents that social structures are kept in being (or reproduced), but individual or collective agency may also modify or transform social structures' (Benton and Craib, 2001 p.132). Society, therefore, does not exist independently of human agency. It follows that an explanatory account needs to encompass human intentionality, as well as an actor's position in the human structure. Firms for example, exist within a particular context and their managers will have subjective realities relating to this which will drive their decisions and ultimately influence the behaviour of their firms.

The principle of a 'stratified reality' is offered by critical realists as a means to seek knowledge about the world we live in. It has three primary layers: real, actual and empirical. The 'real' are underlying mechanisms, which cannot be seen but which we can speculate on. Below the 'real' is the 'actual', which are events caused by those mechanisms in the real. The 'empirical' is the position of the person observing the events and making speculation about the real, along with the conditions needed to occur to allow something to exist (Miller and Tsang, 2011).

For Bhaskar, the objective of the critical realist is to investigate the real causal powers that lie behind empirical observations (Johnson and Duberley, 2000). Within critical realism, to theorize is to propose mechanisms to explain events (Miller and Tsang, 2011). However, critical realism challenges the possibility of a purely inductive process or deductive process of theory development (Welch et al., 2011). When there is mismatch between an empirical observation and an existing theory, a 'redescription' or 'recontextualisation' is required (Danermark et al., 2002), which may be achieved through an abductive process.

Abduction, a concept put forward by the American philosopher C. S. Peirce (1839-1914), is a form of critical thinking which can play a role in generating new ideas or hypotheses to test. Abduction is concerned with the reasons or processes for adopting a hypothesis (Fann, 1970, Burks, 1946). It is distinct from deduction, whose goal is to build a logical and testable hypothesis based upon other plausible premises, and induction, whose goal is an approximation towards the truth in order to fix a belief for further enquiry (Yu, 1994). The abductive approach views knowledge as being continuous rather than revolutionary, so does not attempt to overthrow previous paradigms or frameworks, but rather help them evolve. It is also regarded as being suitable for exploratory data analysis and is at ease with being used together with deduction and induction in order to achieve a comprehensive enquiry.

3.2.2 Case study methodology

The case study has been defined by Piekkari et al. (2009) as “a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of ‘confronting’ theory with the empirical world” (p.589) and has been observed as being the most common qualitative methodology in international business research (Piekkari et al., 2009). The advantage of the case study as a research method is that it permits the researcher to generate and utilise many different kinds of rich evidence, allowing him or her to enter the world of his or her subjects and offering the opportunity to study them within the context of their own environment, over time. For research into business incubation as a method of foreign market entry, the case study method is an obvious choice for assessing its benefits from the perspective of firms that are using or have used it.

Criticism of the case study method *per se* has generally come from positivist researchers, who suggest that case studies do not have the rigour of natural scientific designs, that their findings lack ‘external validity’ - or cannot be easily extended (or generalized) to other situations - and also that too much data allows for too much interpretation or the risk of premature conclusions (Easterby-Smith et al., 2008). However, arguing from a positivist perspective, Yin (2009) maintains that such criticisms can be overcome by ensuring that case studies have clear designs, where research questions, units of analysis, and procedures for interpreting data are all stated before data are collected. Furthermore, Yin (2009) also states that ‘analytical generalizability’ may be achieved when two or more cases support the same theory. In analytic generalisation,

each case is viewed as an experiment and the greater the number of case studies that show replication, the greater the rigour with which a theory has been established (Rowley, 2002).

In their article about theorising from case studies, Welch et al. (2011) categorised four methods for conducting case studies, namely natural experiment (mainly advocated by Yin), interpretive sense making (mainly advocated by Stake), inductive theory building (mainly advocated by Eisenhardt) and conceptualised explanation (mainly advocated by Ragin and Bhaskar). Easterby-Smith et al.(2008) label these approaches as positivist, constructionist and relativist respectively, while the last one may be linked to critical realism.

The critical realist ‘conceptualised explanation’ approach to case studies is concerned with why and how events are produced. It ensures that context is integrated into explanation, since causal explanations require an understanding of the conditions in which they operate. The theorising process begins deductively by investigating the relevance and usefulness of extant theories within the context of the data. Then, new insights and ideas derived from the data and generated through induction are integrated back into the extant theory through ‘re-contextualization’ mentioned above. This abductive approach is regarded as giving a high explanatory power to the case study (Welch et al., 2011).

3.2.3 Reflexivity and positionality

Access to case study firms and organisations has been facilitated through my being an employee of CBBC, which operates *Launchpad*, a business incubation scheme to help UK firms and organisations enter the Chinese market, and which is the business incubation scheme under investigation in this research. In being closely linked to the organisation operating this scheme, I may stand accused of abandoning the opportunity to take an objective perspective of the research subject. Indeed, as a staff member of CBBC with responsibility for the Launchpad scheme, my thoughts and ideas could be said to be inherently biased and it could be viewed that I am pre-disposed to present a positive account of business incubation as a foreign market entry method. Furthermore, Hackett and Dilts (2004b) observed that the overall policy environment for research into business incubation, can be ‘politically charged’, with it being in the interests of various stakeholders that business incubators are deemed a success (e.g. Bearse, 1998). It is therefore doubly important that these issues are taken account of in the research process.

According to Easterby-Smith et al. (2008), researchers need to pay attention to the issue of 'reflexivity' (Bourdieu and Wacquant, 1992), and take consideration of their roles and the way they affect the research process. In this research, reflexivity has required me to be aware of how my identity is significant when conducting interviews. Whilst accepting that through interaction with the interviewees, I have inevitably played a role in the construction of understandings surrounding business incubation as a foreign market entry method, I have made every effort to ensure that my identity has not unduly influenced the interpretation and representation of the data. Measures included drafting the interview protocol in a neutral way, mentally separating wherever possible my research and work agendas and presenting myself, where possible, as a university research student rather than a CBBC employee.

From another perspective, 'positionality' (Banks, 1998) is a term used in sociology and anthropology to acknowledge the place of the researcher in the research environment. The concept can also be viewed in terms of whether the researcher is an 'insider' or an 'outsider' (Merriam et al., 2001). Being an employee of CBBC has brought the advantages of me being an 'insider' in terms of access to interviewees and having a familiarity with the Launchpad scheme. However, it has also brought the risk of my making certain assumptions about the Launchpad scheme and not being able to see things that may be evident to 'outsiders.' Moreover, some individuals may prefer to talk to an independent outsider about their views on, for example, the business incubation experience. As with reflexivity, 'positionality' is an important concept that I acknowledged early on in the research process in order to ensure that data were collected, interpreted and represented as accurately as possible. In this research, the issue of positionality was taken into account when I conveyed my status to the interviewee. My status was first and foremost as a researcher from the University of Leeds, and only secondly as an employee of CBBC. In this way, I was able to gain the benefits of being both insider and outsider. (See Appendix D for how my status was conveyed to case study interviewees).

My employment at CBBC also gave rise to issues relating to research ethics. In my application to the Faculty Research Ethics Committee, I undertook to make it clear to informants prior to the interviews that any views expressed by participants would not influence in any way the commercial relationship that firms have with CBBC. Confidentiality of information in a more general sense was also an important ethical issue. I therefore also undertook to ensure that participants were guaranteed both organisational and individual anonymity during the analysis and presentation of findings, in order to protect any personal, commercial or strategically

sensitive information. These assurances were made in the Participation Information Sheet (Appendix D).

3.3 Unit of analysis

According to Eisenhardt, the case study is a research strategy which focuses on understanding the dynamics present in single settings (1989). The single setting can be defined as the 'unit of analysis', which is the entity that forms the basis of any sample and any subsequent collation and analysis of data from that sample (Easterby-Smith et al., 2008). For case studies, the unit of analysis is therefore a declaration of what the 'case' is. According to Hackett and Dilts (2004b), possible units of analysis for business incubation research include those at the level of the incubatee (firm), the entrepreneur (individual), the incubator manager (individual), the incubator, the community (local) and the incubation sector (or industry).

According to Yin (2009), the tentative definition of a unit of analysis is related to the way that the initial research question is defined. The main research question in this inquiry centers on the business incubation process that is experienced by the firm in a foreign market entry setting. It therefore makes sense for the incubatees (firms and organisations) using the Launchpad scheme to be the units of analysis. Moreover, it is quite common for the incubatee to be the unit of analysis in business incubation research (e.g. Allen and Rahman, 1985, Colombo and Delmastro, 2002, McAdam and Marlow, 2008, Xu, 2009, Schwartz, 2013). Informants of this research include persons within each incubatee who were involved in the decision to enter and leave Launchpad (the business incubation scheme), and/or are familiar with the experience of operating from within the Launchpad incubator.

3.4 Case study selection

For Eisenhardt (1989) the selection of cases is an important aspect of building theory from cases studies. Following the Eisenhardt approach (1989), in this study 'theoretical sampling' is adopted, where cases are chosen for theoretical and not statistical reasons. The goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory. In terms of how many cases should be chosen, for Eisenhardt (1991) this depends on how much is known and how much new information is likely to be learned from incremental cases, but according to her, 'a number between 4 and 10 cases usually works well' (1989 p.545).

In this study, the research setting is CBBC’s Launchpad scheme. Launchpad was selected as the research setting because this scheme is well established, with some 165 former and current users. It also has a good track record for its incubatees to progress to a full market commitment (see Chapter 4 and Appendices A and B for a full description of the Launchpad scheme). Ten current users of Launchpad and nine former users (with two or more informants from each) were selected as case study incubatees. In order to provide a complete picture of the business incubation experience, a further five incubatees which withdrew from the scheme without setting up an entity were also interviewed (but with only one informant from each). To ensure a variety of perspectives, and to ensure the emergent findings are applicable across a broad range of organisations (so-called ‘diverse sampling’), incubatees from both the manufacturing and service sectors are represented in the sample, as well as incubatees from both the ‘small’ and ‘large’ category. A total of 24 case studies may be considered high for the Eisenhardt case study method, but the researcher’s employment with CBBC created a unique opportunity for access to current and former incubatees willing to share their business incubation experiences. Also, a higher number of case studies can increase the validity of the research.

Records for Launchpad held since 1991 indicate that amongst the 165 graduate and current incubatees, there were 77 incubatees from the manufacturing sector and 76 incubatees from the services sector (including universities). There were also 12 non-commercial incubatees, such as local government and inward investment agencies. In other words there is roughly a 50:50 split. In considering the composition of the sample it was decided to reflect trends in this general population. The broad range of activity represented amongst the incubatees (including, for example, sourcing and supply chain activities) has the added advantage of capturing a variety of perspectives, and ensuring that the findings are applicable across a broad range of organisations and organisational types (see Table 3.1).

Table 3.1: Sample categorized by Launchpad incubatee activity

Activity	Status	Current	Graduate	Withdrawal	Total
Selling to domestic market, of which:		8	8	3	19
Manufacturing		5	4	1	10
Services		1	3	1	5
Education		2	1	1	4
Sourcing from China		2	1		3

Table 3.1 Cont.

Export promotion	0	0	1	1
Inward investment	0	0	1	1
Total	10	9	5	24

The case study incubatees are distinguished by size and status in Table 3.2 and by size and activity in Table 3.3. Since the Launchpad scheme was designed, to be used by smaller firms, such firms predominate in the sampling. For the purposes of this study, the company size delineations used by the European Commission for Enterprise and Industry (EUEI) have been followed, where firms with fewer than 10 employees are ‘micro’, firms with more than 10 but less than 50 are described as ‘small’ and firms with more than 50 but less than 250 are described as ‘medium-sized.’ There were no micro-firms in this study. Therefore, by default firms with fewer than 250 employees will be termed ‘SMEs’. Firms with more than 250 employees are considered ‘large.’ Universities are counted as large organisations.

Table 3.2: Sample categorized by Launchpad incubatee size and status

Size	Status	Current	Graduate	Withdrawal	Total
SMEs		8	6	1	15
Large		2*	3**	4***	9
Total		10	9	5	24

*Notes: * 2 universities; ** 1 university, 1 sourcing, 1 manufacturing; *** 1 university; 1 services; 1 local government; 1 export promotion*

Table 3.3: Sample categorized by Launchpad incubatee size and activity

Activity	Size	SME	Large	Total
Selling to domestic market, of which:		13	6	19
	Manufacturing	9	1	10
	Services	4	1	5
	Education	0	4	4
Sourcing from China		2	1	3
Export promotion		0	1	1
Inward investment		0	1	1
Total		15	9	24

The background to each case, with other important variables can be seen below (Table 3.4).

Table 3.4: Summary of Launchpad incubatee attributes

Case	Activity/Market Orientation	Size	Sec	STAT	INTV	INT EXP	INT OFF	NTM	LOC
C1	Equipment & systems manufacturer (food industry)/Selling to market	SME	M	C	3	Y	2	N	SH
C2	Systems manufacturer/installer/operator (water)/Selling to market	SME	M	C	2	Y	3	Y	SH
C3	University/Selling to market	Large	E	C	2	Y	1	N	BJ
C4	Manufacturer brushes, industrial and domestic/Sourcing from market	SME	M	C	3	Y	0	N	HZ
C5	Firm of patent attorneys/Selling to market	SME	S	C	3	Y	0	N	SZ
C6	Local government/Investment promotion	Large	S	W	1	Y	1	N	SY
C7	Equipment manufacturer (anti-static)/ Selling to market	SME	M	G	2	Y	5	N	SH
C8	Equipment manufacturer (x-ray generators)/Selling to market	SME	M	C	2	Y	1	N	SH
C9	Manufacturer of lockers/Sourcing from market	SME	M	C	2	Y	0	N	SH
C10	Consulting engineers/Selling to market	Large	S	W	1	Y	20	Y	SH
C11	Manufacturer of luxury mattresses/ Selling to market	SME	M	C	2	Y	2	Y	BJ
C12	Membership organisation for ethical trading/Selling to market	SME	S	G	2	Y	2	Y	SH
C13	Consortium of 4 firms (airports sector)/Export promotion	Large	S	W	1	Y	n/a	Y	BJ
C14	University/Selling to market	Large	E	G	2	Y	4	N	SY
C15	Firm of patent attorneys/Selling to market	SME	S	G	3	Y	1	N	SZ
C16	Equipment manufacturer (telecommunications)/Selling to market	SME	M	G	2	Y	3	N	SH
C17	University/Selling to market	Large	E	W	1	Y	0	N	BJ
C18	Manufacturer of office furniture/Sourcing from market	Large	M	G	2	Y	7	N	SH
C19	Equipment manufacturer (power sector)/Selling to market	SME	M	G	2	Y	2	N	BJ
C20	Instrument manufacturer (testing)/Selling to market	SME	M	C	2	Y	6	N	BJ
C21	Manufacturer (edible casings)/Selling to market	Large	M	G	2	Y	12	N	BJ
C22	University/Selling to market	Large	E	C	2	Y	0	N	BJ
C23	Specialist logistics (pharmaceuticals)/ Selling to market	SME	S	G	2	Y	6	Y	SH

Table 3.4 Cont.									
C24	Equipment manufacturer (health and safety)/Selling to market	SME	M	W	1	Y	3	N	SZ

Notes: Sec = Sector – M=Manufacturing, S=Service, E=Education; STAT = User Status - C=Current, G= Graduate, W = Withdrew; INTV= No. of interviewees; INT EXP = international experience yes/no; INT OFF = No. international offices before joining Launchpad; NTM = New to Market (China); LOC=Location – BJ=Beijing, SH=Shanghai, SZ=Shenzhen; SY=Shenyang; HZ=Hangzhou

Table 3.4 reveals that the objective of all but three firms (who were sourcing) was to *sell* products or services to the target market. *All* incubatees sampled in this study were active in international markets prior entering Launchpad. Of these, only five did not already have an international office in one or more other foreign markets. Only six incubatees were new to the Chinese market, indicating that in many cases business incubation was being used to boost or progress existing market activity. In terms of location, eight incubatees were located in Beijing, ten in Shanghai, three in Shenzhen, two in Shenyang and one in Hangzhou. Table 3.5 assigns the above attributes to specific cases and provides an easy reference for more detailed analysis of the data.

Table 3.5: Launchpad incubatees by attribute

Attribute	Cases	No. of Cases
Sourcing firms	C4, C9, C18	3
With no international offices	C4, C5, C9, C17, C22	5
New to Market	C2, C10, C11, C12, C13, C23	6
Education	C3, C14, C17, C22	4
SMEs	C1, C2, C4, C5, C7, C8, C9, C11, C12, C15, C16, C19, C20, C23, C24	15
Large	C3, C6, C10, C13, C14, C17, C18, C21, C22	9
Status		
Current	C1, C2, C3, C4, C5, C8, C9, C11, C20, C22	10
Graduate	C7, C12, C14, C15, C16, C18, C19, C21, C23	9
Withdrawal	C6, C10, C13, C17, C24	5
Beijing	C3, C11, C13, C17, C19, C20, C21, C22	8

Shanghai	C1, C2, C7, C8, C9, C10, C12, C12, C16, C18, C23	10
Shenzhen	C5, C15, C24	3
Shenyang	C6, C14	2
Hangzhou	C4	1

3.5 Interviews

Interviews are the main data collection method adopted in this research. Interviews are an established method of understanding the views, perceptions and opinions of research subjects through language (Easterby-Smith et al., 2008). They provide an opportunity to engage with the managers who are actually involved in the issues under investigation. However, this method is not without its challenges. It can be ineffective when the objectives of the research are not clear, leading to the generation of a great deal of data that are difficult to interpret. It also requires particular skills to tease out the views of the interviewees and there is also the risk of bias, where the interviewer may propose his or her own reference frame on the interviewees (Easterby-Smith et al., 2008). This is discussed in Section 3.2.4, above. Finally it requires access to interviewees, which is not always straight forward, but is facilitated by the author of this study being an employee of CBBC and having relatively easy access to current and former users of the Launchpad scheme.

Whilst there is an element of structure in the interviews conducted for this research, uncovering new and interesting perceptions is also desirable. The interview design (see Tables 3.11 and 3.12, below) was therefore flexible enough to accommodate the tailoring of further questions depending on the response (verbal or non-verbal) of the interviewees, or as a result of new insights obtained from interviews with earlier case studies. The questions were also ‘open’ (not requiring a simple yes or no, nor pitched with a view to attracting a particular response) to avoid leading the interviewees. Interviews were recorded with the permission of the interviewees and confidentiality commitments were clearly made through the signing of a consent form (see Appendix C).

For this research, multiple data collection methods (for example, incorporating company documents, memos, press releases, board minutes and web text) were not adopted, since the display of such secondary sources could lead to the identification of incubatees to whom anonymity was guaranteed. However, two or more informants in 19 of the incubatees were interviewed. The dual development of a case study bank and use of NVivo coding (see Section 3.6.2 below) also provided a measure of triangulation.

3.5.1 Interview scheduling

Case studies containing interviews with only one informant may be accused of being unreliable (Seidler, 1974) or vulnerable to the subjective views of one single interviewee and the likelihood of premature conclusions. In this research, within 19 incubatees, two or more informants were selected to participate in the semi-structured interviews, as follows:

- (i) Senior decision-maker in the UK - this interviewee provided an understanding of why and how the decision to enter Launchpad was taken, along with an insight into any post-Launchpad FDI commitment.
- (ii) The locally-engaged Chinese Manager – this interviewee provided valuable insights into both the incubation process and the circumstances surrounding the post-Launchpad commitment, if any.

For 15 of the current and graduate incubatees there was a dyad of interviewees. In the case of three current and one graduate incubatee, one additional person was interviewed on the UK side in order to bring greater insight into the decision making linked to entering the business incubator, or into the perceived benefits of business incubation in general. Further interviews were also conducted with five incubatees that had withdrawn from the scheme under a variety of circumstances. However, in these cases, only one interviewee was available, but the interview data still provided further insights. Table 3.6 shows the interviewees by status.

Table 3.6: Interviewees by status

Status	Current	Graduate	Withdrawals	Total
Decision-maker (UK)	10	9	5	24
2 nd Decision-maker (UK)	3	1		4
Chinese manager	10	9	0	19
Total	23	19	5	47

Table 3.7 shows specific case study interviewees by function, either as a decision-maker in the UK or as a Launchpad manager in China. The four cases where two UK decision-makers were interviewed in the UK (bringing the total number of interviewees to three), are underlined.

Table 3.7: Case study interviewees by function

Decision-maker in UK	<u>C1P1, C1P2</u> , C2P1, C3P1, <u>C4P1, C4P2</u> , <u>C5P1, C5P2</u> , C6P1, C7P1, C8P1, C9P1, C10P1, C11P1, C12P1, C13P1, C14P1, <u>C15P1, C15P2</u> , C16P1, C17P1, C18P1, C19P1, C20P1, C21P1, C22P1, C23P1, C24P1	28
Chinese manager	C1P3, C2P2, C3P2, C4P3, C5P3, C7P2, C8P2, C9P2, C11P2, C12P2, C14P2, C15P3, C16P2, C18P2, C19P2, C20P2, C21P2, C22P2, C23P2	19

The reasons for interviewing two of the UK decision-makers are shown below, in Table 3.8.

Table 3.8: Reasons for interviewing two UK decision-makers

C1	The board was split about whether full market entry was justified; interviewing two UK decision-makers facilitated greater understanding about the decision to use Launchpad.
C4	There were management differences about the feasibility of full market entry; interviewing two UK decision-makers facilitated greater understanding about the decision to use Launchpad.
C5	The UK decision-maker responsible for entering Launchpad was different to the UK person making use of the scheme; interviewing two UK decision-makers provided understanding of the full picture.
C15	The decision-maker responsible for entering Launchpad had left the firm and a different person was now responsible; interviewing both of these UK decision-makers provided understanding of the full picture.

Interviewees were first approached by e-mail with an invitation to take part in the research. A Consent Form and a Research Participation Information Sheet was provided (see Appendices C and D).

The average interview length with UK decision-makers was 31 minutes, while that with Chinese interviewees was 23 minutes. The interviews were conducted in English. While all the Chinese informants spoke English fluently (a criterion for being appointed as a local manager), cultural and linguistic factors may also have contributed to the shorter interview times. Of the interviews, 27 were conducted face to face (F). 20 were conducted by Skype or telephone (P), when a face to face interview was not possible. See Table 3.9 below for a summary of interview locations, modes and durations.

Table 3.9: Summary of interview locations, modes and durations

	INT	LOCATION	MODE	DURATION (minutes)
Senior decision-maker in UK	C1P1	UK	F	45
	C1P2	UK	F	43
	C2P1	UK	F	31
	C3P1	UK	F	32
	C4P1	UK	F	50
	C4P2	UK	F	38
	C5P1	UK	F	32
	C5P2	UK	P	14
	C6P1	UK	P	42
	C7P1	UK	P	22
	C8P1	UK	F	25
	C9P1	UK	F	39
	C10P1	UK	F	9
	C11P1	UK	P	36
	C12P1	UK	P	18
	C13P1	UK	F	33
	C14P1	UK	F	33
	C15P1	UK	F	29
	C15P2	UK	P	29
	C16P1	UK	F	32
	C17P1	UK	P	21
	C18P1	UK	P	41
	C19P1	China	F	39
	C20P1	UK	P	34
C21P1	UK	P	27	
C22P1	UK	P	36	
C23P1	UK	F	25	
C24P1	UK	P	32	

Chinese Manager	Code	Location	Gender	Age
	C1P3	China	F	25
	C2P2	China	F	24
	C3P2	UK	F	35
	C4P3	China	F	17
	C5P3	China	P	23
	C7P2	China	F	32
	C8P2	China	F	19
	C9P2	China	P	19
	C11P2	China	P	29
	C12P2	China	F	25
	C14P2	China	P	36
	C15P3	China	P	15
	C16P2	China	P	21
	C18P2	China	F	29
	C19P2	China	F	18
	C20P2	China	F	17
	C21P2	China	F	19
	C22P2	China	P	18
	C23P2	China	P	29

In addition to the case study interviewees outlined in Tables 3.7 and 3.9 above, three former CBBC employees were also interviewed for the purpose of providing further information about the origins of the Launchpad scheme (see Section 4.2.1). Their details and coding are outlined below, in Table 3.10.

Table 3.10: Former CBBC employees interviewed

Former role at CBBC	Period at CBBC	Location	Code
Deputy Chief Executive	1991-2006	UK	CBBC1
Chief Representative Beijing	1995-2008	China	CBBC2
Chief Representative Shanghai	2004-2010	China	CBBC3

3.5.2 Interview protocol design

According to Eisenhardt (1989), a priori specification of constructs or theories can help shape the initial design of theory building research. From a synthesis of the literature in Section 2.4 above, the following research themes were identified.

1. Risk and control (Anderson and Gatignon, 1986, Root, 1998)
2. Decision making (Aharoni, 1966, Buckley et al., 2007)
3. Options thinking (Kogut and Kulatilaka, 1994)

4. Knowledge (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009)
5. Networks (Coviello and Munro, 1997, Hansen et al., 2000)
6. Switching behaviour (Buckley and Casson, 1981, Pedersen et al., 2002)
7. Liabilities of foreignness/newness (Zaheer, 1995, Bøllingtoft and Uthøi, 2005, Johanson and Vahlne, 2009)

These themes have informed the design of the interview protocol. In this exploratory setting, where the main focus of the research is an inquiry into how the business incubation process facilitates a firm’s foreign market entry, the following questions formed a framework for the interview protocol design (See also Appendix E):

- (i) Why do firms and organisations choose to use international business incubators to help their foreign market entry?
- (ii) What benefits do firms and organisations gain from being in international business incubators?
- (iii) How do international business incubators change the international experience of firms and organisations?

Integral as they are to addressing the main research question, these three sub-research questions will also be answered directly through an analysis of the case study data (See Sections 5.8, 6.6 and 7.7).

The links between questions and themes, and other justifications for inclusion, are shown in the tables below for (i) the decision-maker in the UK (Table 3.11) and for (ii) the locally-engaged Chinese manager (Table 3.12).

Table 3.11: Questions for senior decision-maker in UK

Questions	Justification for inclusion/link to theory
Why do firms and organisations choose to use international business incubators to help their foreign market entry?	
Q.1. Can you confirm that the products/services your organisation is promoting in China are in the following areas....? Was your firm already exporting at the time of entering Launchpad and/or did it already have a presence in other overseas markets?	Provides case study background and context

<i>Table 3.11 Cont.</i>	
Q.2. How did your plans for the Chinese market initially develop?	Provides case study background and context; elicits information about market drivers
Q.3. At that time, what did you (and your firm or organisation) perceive to be the main challenges to entering the market?	Seeks to identify liabilities of foreignness (Theme 7)
Q.4. What market entry options were you considering?	Seeks to identify alternatives to business incubation; Decision-making (Theme 2)
Q.5. And did these options present any particular issues or risks?	Seeks to elicits views on risk and control (Theme 1)
Q.6. Did any of these issues influence your decision to choose the Launchpad scheme?	Decision making (Theme 2)
Q.7. Why did you select the particular Launchpad location?	Provides further background and context
Q.8. Can you summarise why you chose the Launchpad scheme?	Seeks re-affirmation of key issues
(ii) What benefits do firms and organisations gain from being in international business incubators?	
Q.9. How is your knowledge about China now compared to when you entered Launchpad? What do you attribute to this?	Knowledge (Theme 4)
Q.10. How are your business networks now compared to when you entered Launchpad? What do you attribute to this?	Networks (Theme 5)
Q.11. How has your Launchpad project manager influenced the building of market knowledge and business networks	Knowledge and networks (Themes 4 and 5)
Q.12. Was your presence in Launchpad supporting export sales? Did your firm or organisation experience an increase in sales whilst in the incubator?	Seeking to understand functionality of business incubation for the incubatee and assess impact
Q.13. How have the costs of entering, occupying and leaving Launchpad influenced your overall entry and development in the Chinese market? Please explain the cost benefits.	Switching behaviour (Theme 6)
Q.14. Were there any drawbacks to being in the incubator?	Provides opportunities to disclose disadvantages of business incubation

<i>Table 3.11 Cont.</i>	
Q.15. How you think your firm's development in China would have been without Launchpad?	Switching behaviour (Theme 6)
Q.16. Is the exit route from Launchpad becoming clearer? If so, do you think that this decision has been accelerated by your firm's presence in Launchpad?	Options thinking (Theme 3) and switching behaviour (Theme 6)
Q.17. What are the policy implications of schemes like Launchpad? Do you think it could work in other markets?	Important for policy implications of research
Q.18. Are there any other issues you would like to mention that have not been covered in the interview?	Opportunity to collect further views held important by interviewee
(iii) How do international business incubators change the international experience of firms ? (Addressed to Launchpad graduates)	
Q.19. What outcomes do you attribute to having been in Launchpad?	Evaluation of incubation
Q.20. Upon leaving Launchpad, what foreign market servicing mode did you adopt? Why was that?	Options thinking (Theme 3)
Q.21. Would such an outcome or timeline have been achieved without Launchpad?	Switching behaviour (Theme 6)
Q.22. How is your business development in China progressing under the new market servicing mode?	Important to understand post business incubation model
Q.23. Looking back, how do you think the experience of Launchpad has influenced your development in China?	Seeks re-affirmation of key issues

Table 3.12: Questions for locally-engaged Chinese manager

Questions	Justification for inclusion
Introduction	
Q.1. Tell me about your current role.	Provides case study background and context
Q.2. What do you consider to be the main market entry challenges for your Launchpad firm/organisation?	Liabilities of foreignness (Theme 7)
Q.3. What do you think about the prospects for this firm/organisation in the Chinese market?	Elicits information about market drivers
Q.4. Why do you think your firm/organisation chose Launchpad instead of other market entry methods?	Decision making (Theme 2)
The benefits of international business incubators	

<i>Table 3.12 Cont.</i>	
Q.5. How does your Launchpad firm/organisation's current knowledge about China compare to when it first entered Launchpad? How has your background or experience contributed to this?	Knowledge (Theme 4)
Q.6. How do your Launchpad firm/organisation's current business networks in China compare to when it first entered Launchpad? How has your background or experience contributed to this?	Networks (Theme 5)
Q.7. Has the firm/organisation's presence in Launchpad been supporting actual sales? Has the firm/organisation experienced an increase in sales whilst in Launchpad?	Seeking to understand functionality and impact
Q.8. How do you feel the firm/organisation's presence in Launchpad is influencing the firm/organisation's overall credibility or visibility in the market?	Liabilities of Foreignness (Theme 7)
Q.9. How do you feel the Launchpad arrangement has influenced the way other staff members in your Launchpad firm/organisation view China?	Learning (Theme 4)
Q.10. Are there any benefits or drawbacks to being amongst other Launchpad project managers?	Knowledge (Theme 5)
Q.11. Are there any drawbacks to being in Launchpad?	Provides opportunities to disclose disadvantages of business incubation
Q.12. Do you have a feel for what your firm/organisation's development in China would have been without this arrangement?	Switching behaviour (Theme 6)
Q.13. What do you see as the next step for this Launchpad firm/organisation?	Options (Theme 3)
Q.14. Are there any other areas where you think Launchpad has influenced the progress of this firm/organisation?	Opportunity to collect further views held important by interviewee
Q.15. Can you summarise the benefits of using a scheme like Launchpad?	Opportunity to collect further views held important by interviewee
The international business experience arising from international business incubators (for graduates of Launchpad)	
Q.16. What outcomes do you attribute to having been in Launchpad?	Evaluation
Q.17. Upon leaving Launchpad, what foreign market servicing mode did your firm/organisation adopt for China? Why was that?	Options thinking (Theme 3) and switching behaviour (Theme 6)
Q.18. Do you think such an outcome or timeline could have been achieved without Launchpad?	Switching behaviour (Theme 6)
Q.19. How is your business development in China progressing under the new market servicing mode?	Important for understanding post-business incubation model
Q.20. Looking back, how do you think the experience of Launchpad has influenced your development in China?	Review of key issues

A sample interview schedule used to collect the data is presented in Appendix F.

For interviewing UK decision makers from incubatees that had withdrawn from the Launchpad scheme (without progressing to a full market servicing mode), the above interview protocol was less helpful. The single interviewees from these incubatees (C6P1, C10P1, C13P1, C17P1 and C24P1) were less willing or able to elaborate on the firm's experience during the business incubation process, but were able to discuss the circumstances surrounding entry and withdrawal in broad terms. Wherever possible, however, the analysis of data from these interviews still informed the research findings.

3.6 Data analysis

In this section the data analysis techniques used in this research will be explained. Following the Eisenhardt (1989) approach, these are (i) within-case analysis and (ii) cross-case analysis.

3.6.1 Within-case analysis

According to Eisenhardt (1989), within-case analysis can help researchers cope with a deluge of data. It typically involves detailed write-ups of each case in a descriptive form. For this research, tables were designed to collect the key information and responses from each interviewee. These captured any data linked to key themes, as well as any other interesting observations or comments. Through this process it was possible to become intimately familiar with each case as a standalone entity, in advance of an exercise to generalize patterns across cases. The table designed to capture key information from the UK side (Table 3.13), was slightly different to that for the Chinese side (Table 3.14). This reflected minor differences in the interview protocols.

Table 3.13: Analysis table for UK interviewee

Case Study: e.g. C1
Interviewee: e.g. C1P1
Main Activity:
Market Drivers:
Market Challenges:
Market entry options under consideration:
Reasons for choosing the Launchpad Scheme:
Knowledge:
Networks:
Other benefits:

<i>Table 3.13 Cont.</i>
About the Chinese manager:
Impact on sales:
Costs:
Without Launchpad:
Possible outcomes:
Other issues:

Table 3.14: Analysis table for Chinese interviewee

Case Study: e.g. C1
Interviewee: e.g. C1P3
Main function:
Market entry challenges:
Market potential:
Why Launchpad was chosen:
Benefits:
Relevant background of Chinese manager:
Actual sales:
CBBC Support:
Internal benefits:
Incubatee interactions:
Without Launchpad:
Next steps:

3.6.2 Cross-case analysis

Evidence from the ‘within-case’ analysis Tables 3.13 and 3.14 above was then used as a basis for cross-case analysis. This was achieved by tabulating emerging evidence against interviewee codes. From this exercise it was possible to identify where links between data and themes were strongest, and also to identify other emergent findings. Table 3.15 below shows a sample of cross-case analysis. The full table can be viewed in Appendix G.

Table 3.15: Sample of cross-comparison table: knowledge benefits

Benefits of Launchpad for incubatee	Interviewee identifier codes
Knowledge	
Market knowledge/access information locally	C1P1; C1P2; C1P3; C2P1; C4P1; C4P2; C5P1; C5P3; C6P1; C7P1; C7P2; C8P1; C8P2; C9P1; C9P2; C11P1; C12P2; C15P1; C16P1; C18P1; C20P1; C20P2; C21P1; C21P2; C22P1; C23P1; C23P2; C24P1
Someone to check the ‘true situation’	C2P1; C20P1; C21P1

<i>Table 3.15 Cont.</i>	
To help the company know the real market/situation	C2P2; C3P2; C4P3; C5P3
Cross-firm familiarisation with/exposure to China	C1P1; C1P2; C1P3; C2P2; C3P2; C4P1; C4P2; C4P3; C9P1; C9P2; C11P2; C14P1; C16P1; C18P1; C18P2; C20P1; C21P1; C22P1; C22P2; C23P1; C23P2
Learning between project managers	C1P3; C2P2; C3P1; C3P2; C4P3; C7P2 C8P2; C9P2; C11P2; C12P2; C15P3; C16P2; C18P2; C19P1; C19P2; C20P2; C21P2; C22P2; C23P2

In Table 3.15 above, the left hand column shows a Launchpad benefit relating to, for example, a particular source of knowledge accumulation, whilst the right hand column indicates those interviewees who referred to it. On the basis of this, a ‘case study database’ (Yin 2009, p.118) was then developed, which provided provide quick and easy access to each and every supporting quotation. NVivo, a form of Computer Aided Qualitative Data Analysis Software (CAQDAS) was also used to code and analyse material and to assist in identifying how and where concepts and themes are linked together across and between cases. This method was useful in highlighting other emergent, non-sought after themes, which though not directly linked to the main research question, still provided the basis for some unexpected and noteworthy findings (e.g. see Chapter 8).

3.6.3 Display of data

Assertions made in the text about the links between business incubation and key themes are referenced directly to specific quotations displayed in tabular form throughout the findings chapters. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories. For example, in the left hand column of Table 3.16 below can be found the code for ‘knowledge arising from peer-to-peer interactions’ (KP), followed by a number which appears after a specific statement within the relevant section of the text. In the right hand column can be found the specific quotation, followed by the interviewee identifier. A full list of quotation codes is provided in Table 3.17.

Table 3.16: Sample table: business incubation and peer-to-peer knowledge accumulation

Code	Supporting Quotation
KP1	'I think it's like a school, you know. My neighbour, I think he is working for another UK company doing the steel - so we're chatting a lot you know and we learn from each other. Although the business, you know, we are not overlapping.... It's part of experience sharing, you know. We are learning.' C18P2
KP2	'We do share experience and knowledge from both the managers and staff and CBBC, so we share this with the members. Sometimes we're chatting. It's like a big company with various different departments. You are selling different products and services; you are linked to one big branch of CBBC.' C7P2
KP3	'I think it's very good to work in that environment because different small UK companies had Launchpad managers and so it is quite diversified industries working atmosphere..... 'hat I mean is because you can also learn from other Launchpad managers how they can manage their business and start their companies in China as well. So we can learn from each other, so that's very good' C16P2

Through this system, the reader is able to refer to any quotation which supports a particular statement. In some cases, several quotations may support a statement. The referencing numbers appearing in the text are in a smaller font, in order to be less intrusive. This method for displaying data will be used throughout the main findings Chapters 5, 6 and 7.

Table 3.17: Key for quotation codes

Quotation code	Referring to	Tables
RK	Risk	5.3, 5.4, 5.5
CP	Control over a person	5.7
BW	Boundary workers and control	5.8
CC	Control over costs	5.9
OP	Business incubation and options	5.11, 5.12
LP	Long-term pay off	5.14
DR	Decision-making and risk	5.16
DC	Decision-making and cost	5.18
DI	Decision-making and immediacy of entry	5.20
CF	Market entry catalyst function	5.22
KM	Market knowledge	6.1, 6.2, 6.3, 6.4
KP	Peer-to-peer Knowledge	6.6, 6.7
FF	Cross-firm familiarisation	6.9, 6.10, 6.11, 6.12
KB	Knowledge building	6.14
NE	Network building by the incubatee	6.15, 6.16

<i>Table 3.17 Cont.</i>		
NL	Network building via link with the incubator	6.18, 6.19, 6.20
CB	Commercial benefits	7.1
ET	Exit trigger	7.2, 7.3, 7.4, 7.5, 7.6, 7.9
SE	Speed of entry	7.9
SW	Speed without business incubation	7.10
AF	Acceleration function of business incubation	7.11

Where *two or more informants* within an incubatee support a particular finding, there is a measure of triangulation. Such examples are captured in ‘Boxes’ in the ‘summary of findings’ sections of each chapter. An example appearing later in Chapter 6 is found below in Box 3.1. The quotation codes are included to allow the reader to refer to the full quotation, if required.

Box 3.1: Sample of Box which summarises peer-to-peer knowledge findings

Case Study 19 supplies equipment to the power generation sector. The UK decision-maker (C19P1) recognised that other Launchpad users, even though not in the same industries, were running into the same problems. He explained, ‘there was a nice group of compatriots for [the local manager] to circulate amongst. There was a ready source of advice about what you have to do to set up your own Rep Office’ (KP23). The Chinese manager, C19P2 agreed. ‘I did get benefit from talking with the other companies. It's like personal. “Neighbour, what are you doing?” And he told me I’m in some other sector. During the lunch and dinner, we talk, exchange about the business behaviour. So what I’m suggesting is that with the CBBC companies, amongst the individual companies, the best opportunity, I would say, experience, is by learning from each other.’ (KP10)

3.7 Chapter summary

In this chapter, the main philosophical approach, methodologies and methods adopted in this research have been explained. This study adopted a critical realist, abductive, multiple case study approach. It drew upon interviews with 47 informants from current and former incubatees of CBBC’s Launchpad scheme, along with three former CBBC employees, in order to explore the phenomenon of business incubation as a method of foreign market entry. The question of how the business incubation process facilitates a firm’s foreign market entry provided a focus for data collection and analysis.

This chapter also explained how the design of the interview protocol was influenced by seven themes identified in the literature review (namely, risk & control, decision making, knowledge, networks, mode switching, options thinking and liabilities of foreignness), while its structure was based around three sub-research questions: (i) Why do firms and organisations choose to use international business incubators to help their foreign market entry (ii) What benefits do firms and organisations gain from being in international business incubators? (iii) How do international business incubators change the international business experience of firms and organisations?

The within-case and cross-case data analysis techniques were introduced, together with the data display method used throughout the findings chapters. The next chapter will introduce the research setting for this inquiry. This requires a more in-depth introduction to *Launchpad*, the particular business incubation setting for this study, and a brief examination of the market entry challenges faced by foreign firms according to the Chinese market entry literature.

Chapter 4: Research setting

4.1 Chapter introduction

Having introduced the research methods that have been adopted to conduct this research, this chapter outlines the research setting for this study. In Section 4.1, the background of CBBC's *Launchpad* business incubation scheme is introduced, and using terms from the business incubation literature its categorisation as a business incubator is defended. In Section 4.2, the China market entry literature is reviewed in order to provide background and context for this research. The liabilities of foreignness associated with China are also discussed in order to provide an understanding of the kinds of challenges faced by firms entering and operating in the Chinese market. This serves as preparation work for contextualising and analysing the interview data in Chapters 5, 6 and 7.

4.2 Business incubation setting: The Launchpad scheme

In this section the origins of CBBC's Launchpad scheme are investigated, making use of interviews with three former CBBC staff conducted during the data collection phase of this research. The former employees (see Table 3.10, above) were asked to recall why the Launchpad scheme was originally established, the circumstances surrounding decisions to use the scheme and the benefits to firms and organisations from the perspective of CBBC. Using observations from the business incubation literature review, the categorisation of Launchpad as a business incubator is also discussed.

4.2.1 Introduction to the Launchpad scheme

CBBC is an export promotion organisation that works closely with the British government to assist British companies to do business with China. Its Launchpad scheme offers a form of business incubation, whereby CBBC acts as the initial employer for 'project managers' selected by firms or organisations, accommodating them and providing business development support within its network of representative offices across China. The employment dimension is an important component of the scheme, since foreign firms are not permitted to employ Chinese nationals without first having registered an office in China. These staff members are able to carry out business development, liaison or research work (within the scope of CBBC's representative office license), in preparation for the firm or organisation establishing its own

permanent presence in China. The employment of the manager is transferred from CBBC to the firm or organisation as soon as it sets up its own entity. Alternatively the firm or organisation may exit the market, with only severance to pay to the employee, as required under Chinese law.

The scheme is presently offered in thirteen cities within CBBC's China office network: namely in Beijing, Shanghai, Shenzhen, Shenyang, Qingdao, Nanjing, Hangzhou, Wuhan, Xi'an, Chengdu, Chongqing, Changsha and Guangzhou. Incubatees pay a management fee to CBBC in order to use the Launchpad scheme and do not receive subsidies of any kind (see Appendix A for the CBBC Launchpad information sheet). To date, 165 firms and organisations from a variety of sectors have used and graduated from the scheme and many have subsequently established their own permanent presence in China (see Appendix B for a summary of Launchpad statistics).

4.2.2 Origins of the Launchpad scheme

CBBC has been running its Launchpad scheme since the early 1990s. According to one former employee in the UK (CBBC1), the arrangement arose from a one off request by a member company for an employment solution in Beijing. At the time, Beijing was the centre for government decision-making. It was common for companies to come to Beijing to gain their first business license, before gradually developing their subsidiaries elsewhere in China. A former CBBC employee in Beijing (CBBC2) commented that Beijing at that time had 'better hardware and software to accommodate foreign companies, making companies feel they are not too far away from home, or that strange.'

Further demand followed and a formal service was offered, and this gradually expanded to other Chinese cities. According to CBBC1, during the 1990s, representative offices were expensive and difficult to set up and they also tended to be the domain of large companies or banks that wished to locate a representative in China. Representative office approval and set-up was more challenging for smaller companies, and this was exacerbated by the lack of office accommodation in Beijing, which often gave rise to informal office arrangements operated from hotel bed rooms. According to CBBC2, early Launchpad users tended to be companies that were relatively small in size or financial capability, often operating in sectors which were tightly controlled by the Chinese government or where it was difficult to obtain a business license.

Since the 1990s, according to Chinese commercial regulations, all foreign companies wishing to operate in China are required to be properly registered. In those early years, this was a particularly complex process which required the submission of documentation outlining the scale and scope of planned activity, as well as guarantees about the availability of required capital. The approval process for applications was time consuming and bureaucratic, and it was not uncommon for applications to be rejected (CBBC2). Furthermore, foreign companies were not permitted to hire staff locally to lobby the government and research the market without having their own legal entity. According to a former Launchpad administrator in Shanghai (CBBC3), the Launchpad scheme was attractive because it offered the facility for a local member of staff to be employed via a CBBC office, thus offering a low risk and legally compliant way of testing the market and developing relationships before embarking on the registration process.

Business development support from CBBC extended to identifying potential partners for incubatees and, in difficult or sensitive sectors, using its reputation and relationship network to introduce companies to the relevant government authorities involved in permitting foreign companies to enter and operate in China. According to CBBC3, this was also particularly useful for smaller firms. Larger firms did not require such support, tending to rely on their international reputation and often having a stronger marketing or government relations capacity than CBBC.

The scheme was extended to Shanghai in the late 1990s. Shanghai started to become attractive owing to the development of Pudong. The city was also gaining a reputation amongst foreign firms as an easier and more adaptable location in which to operate, in contrast to the more bureaucratic Beijing. According to CBBC3, while the rate of China's opening up increased with its entry into the World Trade Organisation (WTO) in 2001, and the establishment of Wholly Foreign Owned Enterprises gradually became easier, bureaucracy and restrictions still remained in many sectors. For SMEs operating in this uncertain environment, Launchpad also offered a safe way to withdraw if necessary. CBBC3 summarised the benefits to Launchpad users during those times:

“The main thing is that they do not need to worry so much. There are so many things that companies need to worry about if they don't use Launchpad. For example, how can I find the right person, how can I register myself, how can I deal with my customers,

how can I handle my money, how can I locate myself, how can I find my market intelligence? And even though I have the market research report, this is just paper. How can I roll it out in a plan, how can I protect my IPR. So Launchpad actually gives them a place to really wait and see, for them to really touch the water, and then if they feel the risk is too high, they can leave, without any particular strong risks....” (CBBC3)

4.2.3 Launchpad as a business incubation scheme

For the purpose of this study it is important to justify that CBBC’s Launchpad facility can be categorised as a business incubation scheme, since it provides the focal setting for this research. This will be achieved by discussing its characteristics using terms from the business incubation literature.

Launchpad fits the formal definition of a ‘business incubator’, in so far as a business incubator is any organisation which provides affordable office space and shared administrative services (Fry, 1987, Allen and McCluskey, 1990). The Launchpad scheme has characteristics of both ‘*For Profit Development Incubators*’, which have a ‘Primary Objective’ of ‘selling proprietary services to tenants’ and ‘*Non-Profit Development Corporation Incubators*’, which enhance the business development environment and promote the development of the incubatee. These are two types of business incubator suggested by Allen and McCluskey (1990) as being distributed along a value added continuum (see Figure 2.1).

It can also be said that Launchpad provides ‘business incubation’ through ‘monitoring or business assistance’ (Hackett and Dilts, 2004b). Launchpad identifies well with Smilor’s conceptualisation (1987a) of the incubator as a system which confers ‘structure and credibility’ on incubatees whilst controlling a set of assistive resources, such as ‘secretarial support, administrative support, facilities support, and business assistance’. Von Zedtwitz (2003) defined an ideal type of business incubator, when he asserted that it must demonstrate at least four out of five specific services, namely access to physical resources, office support, financial support, entrepreneurial start-up support and access to networks. With the exception of financial support, Launchpad provides four of these specific services to incubatees.

In terms of the function of a business incubator, Hackett and Dilts (2004b) assert that the business incubator can serve as ‘a market failure bridging function enabling entrepreneurship, where previously it was too costly or risky’ (p.62). It can be argued that Launchpad can serve

as ‘a *Chinese market entry* bridging function, enabling *market penetration* where previously it was too costly or risky.’ Such an assertion is investigated in the course of this research (see Sections 5.6.2 and 5.6.3).

In terms of a ‘business incubator life cycle’ (Allen, 1988), in some locations such as Beijing and Shanghai, Launchpad can be described as having reached a ‘maturity stage’ in the business incubator life cycle, since there has at times been more demand than the scheme can service. However, in other regional locations, Launchpad can be described as being in a prolonged ‘start-up’ phase, since demand amongst potential incubatees has been low. First tier city locations such as Beijing, Shanghai and Shenzhen, have been more popular than regional city locations (see Appendix B).

In the literature (see Section 2.2.5), the adoption of a formal incubatee selection process is seen as effective for business incubation success (Merrifield, 1987, Lumpkin and Ireland, 1988, Culp, 1996). Launchpad does not have a selection process per se, but the importance of a ‘fit’ between incubatee needs and assistance services offered (Autio and Klofsten, 1998) is stressed by CBBC to potential incubatees (see Appendix A).

Launchpad is possibly the longest established scheme of its kind and predates the earliest international business incubator arrangements highlighted in the literature (see Section 2.2.4). Over the last 20 years, it has helped some 160 UK firms and organisations test and enter the Chinese market, with a success rate (in terms of graduating incubatees setting up their own entity) of some 90% (see Appendix B). Also, the fact that this scheme is operating in a market where liabilities of foreignness are known to be significant (see Sections 4.3.2 and 5.2.2) makes it an appropriate setting for assessing the benefits of business incubation as a method of foreign market entry. Furthermore, in the current economic environment, where emerging markets are seen as being important for UK firms (BIS, 2011), providing evidence of the value of business incubation as a method of foreign market entry has implications for the UK government trade promotion policy. This will be considered later, in Section 8.9.2.

4.3 Foreign market setting: China

In this section, a review of the Chinese market entry literature is provided, highlighting a number of liabilities of foreignness commonly associated with the market. This will help to put

into context later findings (outlined in Section 5.6.2) about the decision to enter the Chinese market using the business incubation method.

4.3.1 Background to the Chinese market

China has been recognised as one of the fastest growing markets in the world (Johnson and Tellis, 2008) and as an important destination for foreign direct investment (Lau and Bruton, 2008, Morrison, 2013). In recent years attention has shifted from China as a location for low cost production for global markets, to China as a domestic market in its own right (Davies, 2012). In light of the downturn in the US and European economies, the interest in entering the Chinese market continues to increase. Yet with a variety of regulatory, competitive and cultural challenges, China is regarded as being a difficult market for foreign firms to enter (Walters and Samiee, 2003, Niu et al., 2012, Yaprak, 2012). This presents challenges for foreign firms, whose foremost concern when entering a new market will be to gain market legitimacy and establish the right to do business in the new market (Yiu and Makino, 2002). In terms of the challenges posed to foreign market entrants, China is categorised along side other 'emerging markets', such as India, (Johnson and Tellis, 2008).

Foreign investment into China began in earnest in the late 1970s (Lai, 2002, Lau and Bruton, 2008). Since then China has systematically liberalised its foreign investment regime (Lardy, 1995). In the early years, market entry was highly regulated and trade in goods was channelled through a few state controlled trading companies (Lardy, 1992, Branstetter and Feenstra, 1999). The main form of foreign ownership permitted to foreign investors was the joint venture mode. In the early years of FDI in the People's Republic of China (PRC), the dominance of international joint ventures (IJVs) can be attributed to regulations which prevented wholly foreign owned enterprises (WFOEs) in most sectors (Puck et al., 2009). Indeed, some early investment modes may be described as 'forced JVs' (Buckley, 2007).

Later, gradual liberalisation of government regulations led to more foreign firms establishing WFOEs, further encouraged in part by factors that included the easier repatriation of profits (Lau and Bruton, 2008). By 1997, WFOEs had become the FDI mode of choice for foreign firms (Yan and Warner, 2002). The rising of incomes in China is now resulting in market seeking, as opposed to resource seeking behaviour - where the previous emphasis was on securing key supplies, accessing low-cost factors and diversifying sources of supply (Johnson

and Tellis, 2008). China's entry into the WTO in 2001 further eased market entry into hitherto close or restricted sectors.

4.3.2 Liabilities of foreignness faced by foreign firms in China

Informed by sources of liabilities of foreignness suggested by Zaheer (1995), as well as a review of the relevant literature and findings from a recent series of business climate surveys (Britcham, 2012, AmChamChina, 2012, EuropeanChamber, 2012), this section considers key liabilities of foreignness for firms entering the Chinese market. As Section 5.2.2 in the next chapter reveals, these are also faced in various measures by users of the Launchpad business incubation scheme. Five liabilities of foreignness are examined below: (i) spatial distance; (ii) culture and business relationships; (iii) bureaucracy and government; (iv) local competition; (v) infringements of IPR.

4.3.2.1 Spatial distance

Spatial distance has been recognised as having a significant impact on the cost of doing business abroad (Hymer, 1976, Boeh and Beamish, 2012). The fact that China lies some 5000 miles from the UK and that a flight to China's capital city Beijing takes some 10-12 hours from a European hub, means that travelling to and from this business location is a significant commitment. There is also a 7 or 8 hours time difference between the UK and China depending on the time of year, which also influences management supervision and coordination.

4.3.2.2 Culture and business relationships

Barkema et al. (1996) report that cultural barriers can 'punctuate' organisational learning and lower the longevity of firms in countries with greater cultural distance. Buckley et al. (2006) have also found that cultural understanding facilitates learning, and from this we may deduce that lack of cultural understanding inhibits learning. Cultural differences can be viewed as a liability of foreignness in so far as they inhibit a firm from competing relative to well-embedded local companies

In China specifically, business culture also attaches importance to relationship building as a platform for doing business. Whilst in the West, relationships are regarded as a possible outcome of transactions, in China transactions are not seen as being possible without relationships (Yeung and Tung, 1996, Bridgewater and Egan, 2001, Vanhonacker, 2004,

Ambler et al., 2008). Such relationships, or ‘guanxi’ (defined by Davies et al. (2003 p.42) as the “set of personal connections which an individual may draw upon to secure resources or advantage when doing business or in the course of social life”) have been described as an integral part of doing business in China (Buttery and Wong, 1999, Ambler et al., 2008).

The implication is that foreign firms without the proper guanxi or business networks in China need to set about building or acquiring them. Ahlstrom (2000) recommends that this can be done by hiring individuals with local influence as a guanxi ‘co-option strategy.’ The guanxi possessed by a member of staff can be viewed as an important resource for the firm (Tsang, 1998) and it has the potential to reduce uncertainty and improve performance for foreign firms (Abramson and Ai, 1997). Research by Tsang (1998) indicated that recognising the importance of early mover advantage in the Chinese market, foreign firms should build a small beachhead (such as representative office), with the purpose of gradually building up a pre-emptive guanxi network against their competitors.

4.3.2.3 Bureaucracy and government

China’s bureaucracy is regarded as being a significant barrier to companies acting freely and within their own interests and according to Ambler et al. (2008), Western businesses will encounter it ‘sooner rather than later’. As observed by Creel (1964), ever since the third century BC, China has been predominantly bureaucratic and characterized by impersonal controls to maintain centralized control. The role of bureaucracy in the business environment has been recognised in the literature (Stewart, 1990, Ambler et al., 2008). It manifests itself in the variety of organisations involved in the decision-making process and the fact that China’s expansion of foreign trade and absorption of foreign investment continues to be ‘within the context of domestic political and economic priorities’ (Stewart, 1990, p.58). Projects therefore need to align themselves with such priorities in order to be accepted by national authorities.

Economic nationalism has influenced the speed at which China has opened up to foreign investment. For example, the *Catalogue of Industries for Guiding Foreign Investment (Foreign Investment Catalogue)* is recognised as being one of China’s most important foreign trade policies, as it sets out which specific industrial sector activities are “encouraged”, “restricted”, “permitted,” or “prohibited” for foreign investors. The *Catalogue* provides the framework for guiding foreign investment into China and plays a critical role in revealing government

intentions at the sector level (Jing and Ying, 2012) and also where its concerns lie as regards the protection of domestic industry or national security.

In China, foreign entry mode choice is still restricted to joint venture in some sectors, for example the automotive (Nam, 2011) and telecoms (Han and Wang, 2014) sectors. Moreover, all foreign firms are strictly limited to those business activities stipulated by their business license (PinsentMasons, 2013). In so far as the market entry mode is a fundamental step which automatically constrains the firm's marketing and production strategy (Johnson and Tellis, 2008 p.2), the market entry mode decision may not be taken lightly.

In a recent series of business climate surveys (e.g. Britcham, 2012, AmChamChina, 2012, EuropeanChamber, 2012), a strong finding was that for European and US companies, the regulatory environment in China discriminates against foreign companies. Key concerns include Chinese government policies that require foreign invested enterprises to transfer technology in order to be able to sell their products and services, licensing processes which discriminate against non-Chinese firms and the fairness with which local Chinese standards are implemented in relation to foreign firms, as compared to domestic firms.

The role of government as a whole in China has been recognised as a central factor in the institutional environment (Peng, 2000, Sheng et al., 2011). Indeed, joint ventures have been shown to perform best when their locations are operated close to the government regulatory authorities rather than focusing only on cost and infrastructure considerations (Wu and Strange, 2000).

According to a survey by the European Chamber of Commerce in China (2012), the enforcement of regulations by government is discretionary and there is also a wide variation of local practices across different cities and regions. Lack of coordination among different regulators is also considered a serious issue, along with poor transparency in decision-making processes. Some sectors, such as services and consumer goods, experience greater regulatory pressure than others. 'European companies doing business in China feel they have no other option but to work on improving their relations with government at all levels' (EuropeanChamber, 2012 p.26).

4.3.2.4 Local competition

Research has shown that timing is a key factor in market entry, with firms that enter the market earlier obtaining a performance benefit (Pan et al., 1999) and a competitive advantage (Luo, 1998, Luo, 1999). Research by Johnson and Tellis (2008) also suggests that earlier entrants enjoy greater success and that firms that enter later should be prepared for stiffer competition and probably less success. The European Chamber Survey (2012) commented on a general maturation of China's increasingly costly and competitive business environment, in which foreign firms must now pay greater attention to efficiency and productivity in order to maintain profit growth. The Britcham Survey (2012) revealed that domestic companies, whilst struggling to compete in terms of technical innovation and management expertise, are showing significant improvement in marketing and branding.

4.3.2.5 Infringements of Intellectual Property Rights (IPR)

China has been recognised as lacking sufficient legislation to protect intellectual property rights and their enforcement (Chen and Hu, 2002). Historically, the protection of intellectual property in China has been a significant concern for foreign market entrants and it has been described as the largest legal minefield in commercial international relations with China (Ambler et al., 2008). The problem is exacerbated by the difficulties arising from very different traditions of dispute resolution (Weldon and Vanhonacker, 1999). Because intellectual property rights enforcement is known to be weak in China, firms often have to resort to de-facto strategies to protect their IPR without resorting to China's legal system or engaging in law suits against imitators (Keupp et al., 2009).

In a recent US survey (AmChamChina, 2012), although respondents reported seeing little progress in intellectual property rights protection, there was growing satisfaction with the level of cooperation from the authorities when administrative action on IPR violation is taken, and also when cases are taken to court. The European survey (EuropeanChamber, 2012) attributed the falling number of foreign firms viewing the IPR protection environment as inadequate, as indicating an improvement in the performance of courts in major cities, along with an increased awareness of the IPR issue in China resulting from the greater visibility of domestic Chinese brands (EuropeanChamber, 2012). The British survey (Britcham, 2012) found that despite intellectual property rights being cited as an important factor in China operations, the number of infringements that actually harmed operations was relatively low.

4.4 Chapter summary

In this chapter the business incubation context for this study - *Launchpad* - has been introduced and its categorisation as a business incubator defended. A brief review of the Chinese market entry literature has been given and, with supporting information from business surveys, five liabilities of foreignness faced by foreign firms entering the Chinese market have been highlighted, which can influence a foreign firm's operation and successful penetration into the Chinese market.

Chapter 5: Why firms choose international business incubators

5.1 Chapter introduction

This is the first of the three findings chapters (along with Chapters 6 and 7). Here, an analysis of the data concludes with a theoretical discussion about why firm's choose to use an international business incubator and how extant theory can be re-contextualised by new insights derived from an understanding of business incubation as a method of foreign market entry.

However, in order to provide further context for this study, this chapter begins (in Section 5.2) by exploring the drivers for the case study firms and organisations in this study to enter the Chinese market. Moreover, following the description of the China-related liabilities of foreignness outlined above in Section 4.3.2, this section links these challenges with case study evidence in order to show the views of case study firms and organisations prior to and during their market entry via the business incubator.

This examination of market entry antecedents sets the scene for a more detailed investigation into the links between the 'research themes' stated in Section 2.4 above, and business incubation as a method of foreign market entry. In Section 5.3 and 5.4, the themes of risk and control (Research Theme 1) are viewed within the context of business incubation for foreign market entry. In Sections 5.4 and 5.5 the foreign market entry decision (Research Theme 2) and options thinking (Research Theme 3) are considered. Together, these are three important themes that were identified and highlighted from the literature review (see Sections 2.3.6 and 2.3.7) and originate mainly from the economics stream of the international business literature. Sections 5.3 to 5.6 involve a process of cross-case analysis, the findings from which are then integrated back into extant theories in Section 5.7.

Overall the findings reported in this chapter show that the firm's perception of risk and control figures highly in the decision to enter the business incubator and that both the availability and characteristics of business incubation as a platform for future market commitment provide impetus for a firm's foreign market entry. New insights offered by the business incubation context are also shown to inform extant theory on risk and control.

5.2 Market entry antecedents

In this section, the drivers for why the case study firms and organisations decided to enter the Chinese market are explored, along with the challenges of servicing and operating in the Chinese market as perceived by their managers.

5.2.1 China market entry drivers

Examining the market entry drivers for the case study firms and organisations helps us to understand the context in which decisions were taken to enter the business incubator. This issue was addressed in Question 2 of the interview protocol (See Table 3.11). According to case study informants, both pull and push factors influenced the decision to enter the Chinese market (see Table 5.1)

Table 5.1: Drivers for entering the Chinese market

Pull factors	Incubatee codes
Actual market growth in China.	C1, C8, C19, C20, C21
Market growth in China outstripping traditional markets.	C1, C8
China identified as having market potential.	C2, C5, C10, C15, C16
Change in international strategy to focus more on China, owing to China's market growth.	C3, C7, C11, C12, C22
Push factors	
Not possible to satisfy market requirement with current market servicing model.	C1
Foreign competitors setting up business in China and securing markets inside or outside China.	C1, C4
Decline of domestic market, leading to fierce competition on price; led to sourcing in China.	C4, C9, C18
Customers outside China demanded/recommended that company had presence there.	C12, C16, C23

For informants C1P1, C8P1, C15P2 and C21P1, both actual and potential market growth were important drivers for market entry. For example:

“We’re then looking at all the market statistics and the rates of growth in China verses Europe and North America. And it’s clearly the economic powerhouse of the world.

So we were looking at the market, saying we can see that there is a growing market for our kind of product.” C1P1 (UK manager, drying equipment manufacturer)

“It’s large. I wouldn’t say it’s huge. It’s an important market. But the more important factor is that it’s growing. It’s in a growth phase. Whereas the market for our product in Europe and North America has perhaps reached a more mature stage. And so the Far East and in particular China, represents far more possibilities for us.” C8P1 (UK manager, x-ray equipment component manufacturer)

“Basically there was an emerging market for the services that we offered to Chinese businesses - as against our prior position which was as a taker of Chinese services for our European clients” C15P2 (UK manager, patent attorneys).

“We’ve always seen China as obviously a key market. And for our product, it will be coming up to 50% of the world demand.” C21P1 (UK manager, food manufacturer)

For informants C9P1 and C18P1, a competitive market at home meant that lower cost manufacture from China was sought. For example:

“A lot of people in our industry had had their turnover halved, and a lot of companies went out of business. Because of companies going out of business there were a lot of redundancies. And suddenly we found ourselves in a very, very competitive situation, because people were basically starting up businesses.So we had to find another way of utilising our resources really well and maintaining our presence in the market place. So... what we decided to do was import the lockers from China, in a knock down form and assemble them ourselves here in the UK. And not only would we sell them directly to end users but we would also sell them to the trade as well” C9P1 (UK manager, sourcing company)

“And in terms of why we went to China in 2006, well that was really in response to the fact that our retail fit out sector was becoming increasingly competitive and we realised that we needed a China supply offering, not to supply all of the products, but we needed a China supply offering within our overall offering to the retail market in order to maintain and hopefully increase market share.” C18P1 (UK manager, sourcing company)

Finally, for informants C12P1, C16P1 and C23P1, existing customers provided the impetus to enter the Chinese market:

“Because China has always been such an important country in terms of sourcing goods and products, a lot of our purchasing companies who were using [our system] - the major retailers and the major brands - were purchasing products that were produced in a large amount from China, so they needed visibility of their suppliers in China. And what that meant that was that we really needed to be able to support those suppliers and hence why we needed to be present in China really, because we had a need to be providing training for members in China, for technical support on how to use our system.” C12P1 (UK manager, ethical trading membership organisation)

“So our major customer in the UK was [xxx]. And at the time they had a 2% stake in China Mobile. So, as part of their technology transfer, they took us over to China Mobile, and said [to them] this is the company that we use to save energy in the UK, start to have a look at them, start to do some trials. And that was our initial entrée into the market. So it was directly to a customer.” C16P1 (UK manager, telecommunications equipment manufacturer)

“Our largest customer is [xxx] and basically we had our quarterly business review with them in London, and they started talking about their plans to focus a lot of their research and development work in their new business in Shanghai. And basically we are their preferred supplier for specialist logistics services and as a result they said well look, what we'd like is for you to come to Shanghai and offer these services, but we're only prepared to give you that business if you actually have a location, an office in Shanghai” C23P1 (UK manager, specialist logistics provider)

5.2.2 Perceived foreign market entry challenges

Following the description of the liabilities of foreignness faced by foreign firms entering the Chinese market in Section 4.4 above, some supporting evidence from case study informants is now provided, along with some additional related issues that emerged from an analysis of the interview data. The issue of perceived market challenges was addressed in Question 3 of the interview protocol (See Table 3.11).

5.2.2.1 Spatial distance challenges

Various challenges faced by a firm owing to spatial distance are recognised in the international business literature (e.g. Boeh and Beamish, 2012). These were also recognised by four informants (C1P1, C7P1, C15P1 and C18P1), within four incubatees (firms and organisations). To illustrate:

“The other [market challenge is] the time zones, because they are obviously seven hours ahead of us. And so being able to answer their queries, even if it's just to initially deal with the enquiry, to explain that it will be dealt with and somebody will come back to you fairly soon, that's not really very easy to do from this side of the world.” C15P1 (UK manager, patent attorneys)

“Time difference of course is another obvious one because while the factories are making our product we're asleep. And you know, when we make it to the office, they're finishing their working day, so I suppose that sort of broadly encapsulates the main difficulties that we anticipated. It was language, it was culture and it was time difference and physical distance.” C18P1 (UK manager, sourcing company)

All those four informants who commented on spatial challenges were UK managers.

5.2.2.2 Cultural challenges

Foreign firms operating in China face challenges arising from cultural differences between home and host countries (e.g. Ambler et al., 2008, Fang, 2006). Eleven informants (C1P1, C1P2, C5P3, C8P1, C9P2, C11P1, C11P2, C18P1, C18P2, C22P1 and C22P2) from seven incubatees raised the issue of cultural differences. These are illustrated by references to ‘cultural conflict’ between incubatees and Chinese customers or partners, along with the fear that business can be undermined if cultural differences are not understood:

“I think people in the UK have a very different way of doing business with Chinese people and you know those two parties, you know my boss in the UK and the Chinese partners, they tend to do the business in their own way, so conflict happens. We call this cultural conflict.” C9P2 (Chinese manager, sourcing company)

“And self-evident, you must have heard this from every respondent, you know, the cultural differences and nuances are such that, the last thing one wants to do is to be blundering in with a Western attitude and putting ones foot in it.” C22P1 (UK manager, university)

The importance of *guanxi* to conducting business in China effectively is stressed in the literature (e.g. Buttery and Wong, 1999, Davies et al., 2003, Yeung and Tung, 1996, Ambler et al., 2008). Informants C8P1 and C11P2 recognised the importance and nature of relationships in Chinese business culture:

“It turns out that the way business is conducted, certainly in our market segment, is a good deal more complex. I don’t think we fully understood the importance of personal relationships in the market place and how that played out in the number of different chains in any transaction that might take place.” (C8P1, UK manager, x-ray component manufacturer)

“So the Chinese customer will trust you. They will like you and trust you, and then there will be business. And also China is quite different, because when people know each other, you know the relationship, building up a relationship is really, really important.” C11P2 (Chinese manager, luxury mattress manufacturer)

Of those 11 informants who commented on cultural challenges, five were Chinese managers (C5P3, C9P2, C11P2, C18P2 and C22P2).

It is also worth mentioning that seven informants (C1P1, C1P2, C8P1, C15P1, C18P1, C18P2 and C20P1) from five incubatees also cited language as a challenge. An example:

“The language is a problem. I think not just the language, but the Chinese characters are a particular barrier. You can’t read anything. You can’t look at a place name, or an address or a set of accounts and know what on earth’s going on without a lot of help. So you do feel without people on your side, you feel lost, I think”. C1P2 (UK manager, drying equipment manufacturer)

Out of those five informants who commented on language, only one was a Chinese manager.

Collectively (avoiding duplication) language and culture were commented on by nine incubatees - C1, C5, C8, C15, C9, C11, C18, C20 and C22 - and 13 informants.

5.2.2.3 Bureaucratic and regulatory challenges

The Chinese business environment is known for its regulation and bureaucracy (e.g. Creel, 1964, Stewart, 1990, Peng, 2000, Ambler et al., 2008, Jing and Ying, 2012). Nine informants (C1P2, C2P2, C7P1, C8P1, C11P1, C17P1, C20P1, C23P1 and C23P2) from eight incubatees mentioned bureaucracy and government control as significant market entry challenges, particularly in sectors that are government controlled, such as education, distribution and utilities. For example:

“Clearly there is the incredible levels of bureaucracy which again, to us we just don’t understand.” C8P1 (UK manager, x-ray equipment component manufacturer)

“We found that the legalities and the problems we could get into as a university were really quite prohibitive.” C17P1 (UK manager, university)

“So the general impression we had, without going investigating, was that the Chinese market would be quite closed. It would be quite tough for us to get approval to set a business up and there would be an awful lot of regulation that we would need to comply with in order to get to that point.” C23P1 (UK manager, specialist logistics provider)

“I think, because our target is the municipal water market, so most of the projects are done by state owned enterprises, so government has a lot of controls or policies related to the water.” C2P2 (Chinese manager, water treatment systems supplier)

Of those nine informants who commented on bureaucratic challenges, only two were Chinese managers (C2P2 and C23P2).

5.2.2.4 Competitive challenges

Four informants (C3P1, C7P2, C11P1 and C23P2) from four incubatees acknowledged the competitive dimension posed by earlier foreign entrants, supporting the findings of Johnson and Tellis (2008). However, the threat from domestic firms and their ability to compete fiercely on price, whilst offering acceptable quality to customers, was also recognised to be an issue by two incubatees (C7P2 and C11P1). To illustrate these competitive issues:

“Our key competitors, they came into this market much earlier than us. So we have to follow and compete with our international competitors. On the other hand, the local competitors, their products are at a much lower price and the quality is OK but not that good. But their pricing is much, much lower. So, it's a market full of competition.”

C7P2 (Chinese manager, anti-static equipment manufacturer)

“Well I think that my view is that the Chinese market is the most competitive market that we've entered. I think that every manufacturer in the world has entered Chinese market. And for each manufacturer, every big player, and for each of those there is probably 10 Chinese manufacturers copying and doing exactly the same thing. So within the bed market as a whole I think it's probably cut-throat and a nightmare”.

C11P1 (UK manager, luxury mattress manufacturer)

Of the four informants who commented on competitive challenges, two were Chinese managers (C7P2 and C23P2).

5.2.2.5 Intellectual property challenges

The protection of intellectual property has been acknowledged as being foremost in the minds of foreign entrants into the Chinese market (e.g. AmChamChina, 2012, Britcham, 2012, EuropeanChamber, 2012). It is also an issue recognised in the literature. (e.g. Chen and Hu, 2002, Ambler et al., 2008, Keupp et al., 2009). Six informants (C1P1, C1P2, C2P1, C2P2, C7P1 and C8P2) from four incubatees commented on IPR concerns. For example:

“We'd had the experience of a Chinese customer copying one of our dryers. They did not do it very well so they ordered more from us subsequently. But to make a sweeping generalisation, the Chinese do have a reputation for not respecting intellectual property as much as other people. So these were and still are significant challenges to us.” C1P1 (UK manager, drying equipment manufacturer)

“So one of the key questions that always arises in respect to China is how you protect your intellectual property and that was a problem that was identified early on....And the Chinese do have a bit of a track record in the water sector, I've got to say. I can remember some years ago being involved with different company with some water treatment plants in China, which were basically designed and built by UK companies.

Subsequently they were simply copied by the Chinese at other urban locations. So the original designs were for 100,000 cubic metres per day water treatment plants, now there's 20 or 30 identical treatment plants just directly copied." C2P1 (UK manager, water treatment systems supplier)

Of the six informants who commented on IPR challenges, two were Chinese managers (C2P2 and C8P2).

5.2.2.6 Other factors

In addition to the market entry challenges mentioned in Sections 5.2.2.1 to 5.2.2.5 above, three other liabilities of foreignness were identified through NVivo analysis of the interview data. These were (i) Brand awareness (ii) Company size (iii) Lack of knowledge.

(i) Brand awareness

Firstly, lack of brand awareness was commented on by ten informants (C3P1, C3P2, C8P2, C11P2, C14P1, C14P2, C2P20, C22P1, C22P2 and C23P2) from seven incubatees as a new-to-market disadvantage, in that a foreign brand may simply not be known in China. This may best be described as a kind of 'liability of alienness' (Burgel and Murray, 2000). Local Chinese managers described the issue in the following terms:

"I'd just say ours is a great UK luxury brand for bedding, but in the Asia market, it seems not so many people know this brand." C11P2 (Chinese manager, luxury mattress manufacturer)

"People don't know us. People don't know about this university whatsoever." C14P2 (Chinese manager, university)

"So from the very beginning few local clients know [our company].... it feels like that among our potential clients, only one kind knows about us, [and this is] because their UK or US headquarters is using us. But most of the local potential clients, they have no idea about us." C23P2 (Chinese manager, specialist logistics provider)

Of the ten informants who commented on lack of brand awareness, seven were Chinese managers (C3P2, C8P2, C11P2, C14P2, C20P2, C22P2 and C23P2).

(ii) Company size

Secondly, 12 informants (C1P1, C4P1, C4P2, C5P3, C8P1, C11P1, C16P1, C16P2, C19P1, C21P2, C23P1 and C24P1) from ten incubatees also made unprompted references to their size and by implication their limited resources. Incubatees appeared to be viewing risk and market entry challenges as a factor of their company size. For example:

“I guess the thing that we were most uncertain about was, operationally, how could a small company like us have an operation that included China? Most of the businesses that we knew were doing something in China were bigger businesses than us.” C4P1 (UK manager, sourcing company)

“The challenges are a lot, because at that moment, [Case Study 16] is a very small company, in front of China Mobile, which is such a giant company. So it's very difficult to set up the relationship.” C16P2 (Chinese manager, telecommunications equipment manufacturer)

“But for us, a very small organisation, it's obviously quite a daunting prospect to establish a business in China.” C12P1 (UK manager, ethical trading membership organisation)

Of the 12 informants who commented on their company size and resources as a challenge, three were Chinese managers (C5P3, C16P2 and C21P2). Company size is an issue internal to the incubatee, and is viewed as putting the firm or organisation at a disadvantage when compared to well embedded (often large) local firms and competitors. As a liability of foreignness, this issue does not appear to be well researched in the literature.

(iii) Lack of knowledge

Finally, there was a self-professed lack of knowledge (or fear) about how to set up, operate and service the Chinese market. This lack of knowledge was recognised as challenge by six informants (C4P2, C6P1, C7P1, C11P1, C16P1, and C23P1) from six incubatees. For example:

‘We looked at setting up a subsidiary on our own. It was too complex, just too many unknowns’ C16P1 (UK manager, telecommunications equipment manufacturer)

“And even doing the background work on how Chinese VAT works, how the Chinese corporation tax works, how Chinese income tax works and things like that. And we were thinking, well the amount of background knowledge that we are going to have to gain... the more we talked...the more we were starting to feel, we are out of our depth”. C4P2 (UK manager, a sourcing company)

“I don’t think that any of us in the authority had worked in China before... I think it was very much a learning curve in terms of different ways of operating and doing business” C6P1 (UK manager, local government authority)

“Lack of understanding of the people, the way they do business, any legal requirements, whether there is a market, how to approach the market, whether to tackle via distributors or whether to set up business there. You know, Europe is on our doorstep, so we understand the European culture, but China.” C11P1 (UK manager, a luxury mattress manufacturer)

Of the six informants who professed a lack of knowledge, all were UK managers.

5.2.3 Summary of perceived market challenges

In rank order, the challenges of serving and operating in the Chinese market as perceived by incubatees is shown in Table 5.2, below:

Table 5.2: Market challenges perceived by incubatees

Rank	Market challenge	Incubatees	Number of informants	Of which: Chinese manager
1	Company size	10	12	3
2	Language and culture	9	13	5
3	Bureaucratic and regulatory challenges	8	9	2
4	Brand awareness	7	10	7
5	Lack of knowledge	6	6	0
6	IPR challenges	4	6	2
6	Competition	4	4	2
6	Spatial distance	4	4	0

Company size ranks highest as a market challenge, whilst the challenges of language and culture, bureaucracy and brand awareness lie in second, third and fourth positions. Lack of knowledge ranks in fifth position. Chinese managers ranked brand awareness and culture as the largest challenges.

The above liabilities of foreignness and market challenges which emerged from analysis of the interview data have set the context for the further, more detailed theoretical discussion to follow. These liabilities also inform the development of a model of business incubation as a method of foreign market entry presented in Chapter 8.

5.3 Risk

In this section, the link between business incubation and risk (from Research Theme 1, 'risk and control') is investigated. Three kinds of risk minimisation factors emerged from the data: (i) low risk set-up (Section 5.3.2), (ii) low risk market testing (Section 5.3.3) and (iii) low risk withdrawal from the market (Section 5.3.4).

5.3.1 Display of data: risk

The method used for data display was explained above in Section 3.6.3. In this section, assertions made about the link between business incubation and risk are referenced directly to specific quotations displayed in tabular form. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories. For example, in the left hand column of Tables 5.3, 5.4 and 5.5 can be found the risk code (RK) followed by a number which will appear after a specific statement in the text. In the right hand column can be found the specific quotations, followed by the interviewee identifier.

5.3.2 Business incubation as a low risk environment for initial set-up

Twenty six informants within 20 incubatees referred to the Launchpad business incubation scheme as minimising risk in some way (see Table 5.6 below for summary). Analysis of the interview data revealed that business incubation provided incubatees with a low risk environment for acquiring market knowledge (1, 2), at a reasonable cost (3), and without making a large up-front investment (4). The scheme facilitated a low risk way of setting up a presence in the market (5). Without a great deal of commitment on the part of the internationalising firm or organisation (6, 7, 8), it also permitted the appointment of personnel within a supportive

environment (9), whilst offering a period of time to test their suitability (10). Two informants viewed Launchpad as a safeguard against allocating too much internal resource from UK to China in terms of management time during the market entry process (11, 12). From a strategic perspective, Launchpad was viewed by four informants as low risk compared to alternative options (13, 14, 15, 16), mitigating any risk of adopting the ‘wrong’ market entry mode (17).

Table 5.3: Supporting quotations for minimising risk (1)

Code	Supporting Quotation
RK1	‘Clearly there is the obvious one of language, and the incredible levels of bureaucracy which again, to us we just don’t understand, and the Launchpad scheme gave us the opportunity to learn about these without risking too much money.’ C8P1
RK2	‘[It was] the most sensible way forward because it gave us the opportunity to establish ourselves in China but in a very secure environment, with very little risk to our business really, and then build our understanding of the market further.’ C12P1
RK3	‘I think the expected cost of Launchpad was in the region of £50,000 for a year. We know we can afford £50,000 for a year, so we saw it as a very low risk way of doing good market research, more intensive market research. That’s very different to investing several million into a WFOE or whatever. So cost was important, but it was the affordability element of cost as opposed to the capital cost.’ C1P1
RK4	‘So it was risk reduction. So being able to get into the market and find out more without having to put that initial investment up front. It was the fact that we were new, very new to the market.’ C23P1
RK5	‘Launchpad provided a very cost effective and low risk way of getting an establishment in Beijing.’ C19P1
RK6	‘It was an opportunity to get involved locally without a huge commitment, a huge financial commitment or a commitment in terms of personnel, in order to assess the market and decide how we were going to approach it and gain a market entry.’ C2P1
RK7	‘And I realized that there was a way of actually engaging [C9P2], and the commitment level was relatively low.’ C9P1
RK8	‘It was the ability to have our own man on the ground without any of the delay and risk or bureaucracy of having to go out and find somebody and employ them ourselves.’ C5P2
RK9	‘Launchpad seemed to provide a reduced risk way to have an employee in China but have them properly supported and looked after.’ C15P2
RK10	‘Like every UK company, in the beginning they are very careful. They don’t want to spend so much money and actually they don’t want to have anything related to administration. So they think they will waste a lot of energy to do administration. And also if the person is not the right one....so they will waste their money and waste their time.’ C11P2
RK11	‘I mean the China side, although it’s important to us, it’s not our main focus. You know, it’s an important arm, but it’s not the whole This is the body if you like; this is the important part of the business. And we hadn’t got to lose track of the rest of the business, and put all our resources into China.’ C4P2
RK12	‘I think it was a fairly low barrier to entry really. The cost was fairly modest and I think on the whole it represented to the business a fairly low risk, in terms of both cost and management time, to actually get somewhere quickly.’ C15P1

<i>Table 5.3 Cont.</i>	
RK13	'A sourcing agent isn't going to get us the best deals and the best service, a WFOE is way too much too soon, a JV is too risky, an RO [Representative Office] sounds right, but listen guys, we got a sort of middle option and that is Launchpad, which means easy access, start reaping the benefits almost straight away. It allows me to prove to you that it will actually work.' C18P1
RK14	'It wasn't an extensive commitment. It was all about extensive risk. So self-evidently from our side, we went through quite a serious due diligence exercise even before we sought out the CBBC that involved working extremely closely with our in house legal services team. So it wasn't just a matter of commitment, it was also thinking about the risks that might follow any other kind of model.' C22P1
RK15	'We already have a joint venture in Shanghai - immensely complicated, very risky. And a wholly foreign owned enterprise, I would say, is even more difficult for us as a university than having a joint venture....So again although we are involved in one of these, the other one I would rule out because of its complexity, and therefore that leaves Launchpad as the viable solution.' C3P1
RK16	'Because they hadn't done anything in China, you know. This was something that they probably felt was lower risk than other things. So it was maybe more palatable to them than some of the other ideas that would have been lurking around.' C14P1
RK17	'It would be incredibly costly to do anything else and equally if you tried to start a partnership with a firm out in China based on limited information..... you might well be risking getting into a partnership with the wrong firm.' C5P1

5.3.3 Business incubation as a low risk means to test the market

There was a strong sense amongst interviewees that using a business incubator also provided a low risk means of trialling or testing the market. Its use could help a firm or organisation overcome uncertainty (18), or confirm a belief that there was genuine market potential (19, 20) or that a fully blown market presence could be justified (21, 22, 23), along with the requisite capital (24, 25). Under business incubation, this could be done at less cost (26), without the risk of registering a business and employing a whole team (27, 28) and could even give rise to initial commercial benefits to further strengthen an investment case (29).

Table 5.4: Supporting quotations for minimising risk (2)

Code	Supporting Quotation
RK18	'Based on my understanding, I believe this is something related to them. One is the cost, secondly maybe, you can say, the business danger, or risk or something, because people feel uncertain about this market.' C7P2
RK19	'Launchpad allows us to make a trial entry to the target market in China, with much less risk and expense.' C23P2
RK20	'The main reason for picking Launchpad was that it just gave us the opportunity to dip our toe in the market, to really understand and/or to confirm our belief that there was a future for us if we did make the step of forming a legal entity there. And it allowed us to do that with very little risk, and with reasonable cost.' C8P1

<i>Table 5.4 Cont.</i>	
RK21	'If you're not sure whether setting up a legal entity is for you, or if you are not willing to make the time or financial commitment for that, then something like Launchpad allows you test the water I suppose, whilst ticking all the boxes that you need to do from a regulatory perspective.' C10P1
RK22	'It's the fact that it's a big risk to take just setting up your operation and assuming that you're going to generate enough income to run it, or enough revenue to run it. I mean a good example is India actually. We're doing very little water business in India which is very surprising because it's now probably one of the biggest markets and because it was emerging at the time, or certainly over the last 5 years. We weren't brave enough I guess to decide to go ahead and set up our own operation. So that really makes it more attractive to test the water really, going through companies like CBBC.' C20P1
RK23	'We then had, I guess, the option of setting up a Rep Office immediately. But we decided that we needed a toe in the water before we did that, which is what Launchpad is.' C1P1
RK24	'We made the decision, we said let's give China at least a couple of years to justify itself. Obviously, the costs of Launchpad weren't as high as trying to set up ourselves, setting up a WFOE, but I think in terms of the decision between Launchpad and WFOE...costs were obviously an aspect, but the other aspect was time scale. So to set up a WFOE would've entailed the whole process of registering as a business and filling forms in...And Launchpad, you know, it's quite a big cost for a business like us to bare, but we think it's justifiable over a couple of years.' C4P1
RK25	'But one of the issues that we had was persuading our shareholder to invest and to take the risk to open a business in China. And we very quickly established that in order to operate in China, we would need to put some capital in to open a new business and he was very, very reluctant to put up any capital, particularly at the start. So what the Launchpad scheme allowed us to do was have those discussions with him and agree with him that we could go in, almost sort of test the water with the Launchpad scheme.' C23P1
RK26	'If you want to open a rep office you still need to spend a lot of money for registration and you have to rent the office, you have to hire the correct person, all these things, and it takes an even longer time to start the business.' C23P2
RK27	'So without having employees to do that we didn't want to start worrying about registering a business before we started knowing whether we could do business....So our goal has been not to jump into it.' C11P1
RK28	'But I do think Launchpad is a very useful tool for a company that doesn't want to take all the challenges of employing people in a difficult place and they're really looking to put their toe, you know having done the basic research, and field trips from afar, actually putting somebody on the ground for a year, with a limited and very clear investment profile.' C13P1
RK29	'I mean whilst all the indicators were that we needed a team on the ground, we were still very much finding our feet in China. We were still learning the ropes and Launchpad allowed us to very quickly employ someone and get them working and actually, you know, starting to reap some of the benefits of China sourcing and therefore allowing us, I suppose, to just sanity check the conclusions we'd drawn and just make sure absolutely that it was right for us before we committed the time and money and effort into establishing our own operation.' C18P1

5.3.4 Business incubation as a low risk means to withdraw from the market

Finally, Launchpad was viewed by interviewees as providing a low risk and relatively low cost exit should research or results not support the case for making a next step, deeper commitment in China (30, 31, 32). Exit would not be too complex (33), it could be done swiftly if required (34), without damage to reputation or loss of face (35, 36, 37). The end of the Launchpad period offers a

market exit or set-up option (38), but importantly offers an exit strategy (39) with minimum risk exposure (40).

Table 5.5: Supporting quotations for minimising risk (3)

RK30	'We might come out of Launchpad saying the cost of setting up a WFOE is prohibitive, our board doesn't want to invest that type of money.....But at least at that point it's a conscious decision.' C1P1
RK31	'And if it does not work out, we'd have the satisfaction of having done a thorough investigation and decided not to do it, but at some cost, rather than having saved our money and not known.' C1P2
RK32	'The ease of entry, the support network, the geographical location, the help and assistance both in the UK and in China, and as you've suggested yourself, the ease of exit, should we have got to a point where we thought well actually in it's not for us. All of these things were big, big advantages.' C18P1
RK33	'The costs of getting out are not too bad. I know that there are implications and that you know we can't just walk away and what have you, but it's not too difficult to get out. If we were to say to CBBC at the end of the contract, I'm sorry but we are going to have to just pay off our staff and walk away. It's going to be a fairly clean break.' C4P2
RK34	'All I recall is that I think the flexibility of Launchpad was its USP. At the time we initially discussed it, obviously, the more flexible we could be, the better. And I think senior management was obviously much more willing to approve something that we could withdraw from quickly if we didn't like it, than something that actually involved much more of a firmer commitment.' C10P1
RK35	'From a top level we haven't entered into leases, down to almost the embarrassment, if we decided not to go ahead, you know, we've simply had a project organized through CBBC through which we have learned a lot, and there's no damage to our reputation in China or anywhere else, if we decide not to go ahead.' C5P2
RK36	'The main benefits for our company have been the lack of risk and the fact that we could withdraw at any time, and certainly after a year we could withdraw without any recriminations or loss of face, quite frankly, and it gave us the opportunity to confirm that that there is a real market for our products and our company in China.' C8P1
RK37	'We didn't make a big deal out of it at first. We didn't publicise it very much, because we weren't sure how it would go and we didn't want to be seen to have had a big fanfare and then to have quietly withdrawn. But no, it was a fairly modest commitment, I think it was fair to say.' C15P1
RK38	Interviewer: 'Did the notion that if things didn't work out, then Launchpad was an easy platform to extract yourself from, come into your mind? C16P1: 'Absolutely. So we did that two years and then made a decision to go it alone ourselves, and that was definitely a gate of no go or go.' C16P1
RK39	'Minimising risk, proven track record, exit strategy is very clearly defined as a result.' C22P1
RK40	'So he was quite happy to sign off the expenditure to join the Launchpad scheme, and to recruit someone through the Launchpad scheme, because there was a limited exposure there and it did allow him that ability to say no, we're not going to go, you know we're not going to set up in China, without having risked or put up a huge amount of money.' C23P1

As mentioned at the beginning of this section, 26 informants within incubatees linked business incubation to risk minimising factors. It is useful to drill down further into the data to learn

whether these incubatees possessed any noteworthy attributes. As Table 5.6 below shows, factors relating to risk were especially important for SMEs in this study, with 14 out of the 15 SMEs in the sample mentioning risk avoidance, low risk or risk lowering factors of business incubation.

Table 5.6: Business incubation and low risk

Business incubation attribute	Support	No. of Cases
Low risk	C1P1, C1P2; C2P1, C3P1, C4P1, C4P2, C5P1, C5P2, C7P2, C8P1, C9P1, C10P1, C11P1, C11P2, C12P1, C13P1, C14P1, C15P1, C15P2, C16P1, C18P1, C19P1, C20P1, C22P1, C23P1, C23P2	20
Of which: SMEs	C1, C2, C4, C5, C7, C8, C9, C11, C12, C15, C16, C19, C20, C23	14

5.3.5 Summary of risk findings

It was shown in Section 5.2.2 how the collective challenges of company size, cultural unfamiliarity, complex regulatory environments, brand awareness and local competition can create a sense of risk and uncertainty amongst internationalising firms. In view of such factors, the evidence obtained during interviews has shown that some informants sought to have an in-market presence at a reasonable cost and without making a great deal of up-front investment (e.g. see RK2 to RK6 in Table 5.3). Business incubation was seen as being lower risk than the alternatives, at a particular stage in the internationalization process (e.g. see RK13 to RK16 in Table 5.4). The arrangement also provided an opportunity to test out both the market and the locally-engaged manager before considering a full investment. Finally, this low commitment method of foreign market entry allowed a low risk and low cost exit, if required, with minimum damage (e.g. see RK33 to RK40 in Table 5.5).

Box 5.1 and Box 5.2 summarise the evidence from two incubatees to show how this business incubation scheme was viewed as a low risk method of foreign market entry by its users.

Box 5.1: Low risk foreign market entry (1)

Case Study 15 is a firm of patent attorneys, a business described by C15P1 (see DR4 in Table 5.10 on 'decision-making and risk', below) as having a tendency towards risk aversion. The firm saw the Launchpad scheme as lowering risks in a variety of ways. C15P1 said, 'I think it was a fairly low barrier to entry really. The cost was fairly modest and I think on the whole it represented to the business a fairly low risk, in terms of both cost and management time, to actually get somewhere quickly' (RK12). Secondly, according to C15P2, 'Launchpad seemed to provide a reduced risk way to have an employee in China, but have them properly supported and looked after' (RK9). Thirdly, it was low risk, in terms of damage to reputation, should the firm have to withdraw from China. As C15P1 put it, 'we didn't want to be seen to have had a big fanfare and then to have quietly withdrawn.' (RK37)

Box 5.2: Low risk foreign market entry (2)

Case Study 11 is a manufacturer of luxury mattresses and self-proclaimed SME. Though very familiar and successful in U.S. and European markets, this was its first foray into the Fast East. To the managing director (C11P1), he did not wish 'to start worrying about registering a business before we started knowing whether we could do business.....our goal has been not to jump in' (RK27). The position of the firm was also acknowledged by the Chinese manager (C11P2), who recognised that 'like every UK company, in the beginning they are very careful.....they don't want to spend so much money.....they think they will waste a lot of energy to do administration...and also if the person is not the right one, so they will waste their money and waste their time' (RK10). Hence Launchpad was viewed as an effective means of managing foreign market entry risk.

5.4 Control

In this section, the link between business incubation and control (also from Research Theme 1, 'risk and control') is investigated. Two kinds of control factors emerged from the data: (i) control over a person in the market (Section 5.4.2) and (ii) control over costs (Section 5.4.4).

5.4.1 Display of data: control

The method used for data display was explained above in Section 3.6.3. In this section, assertions made about the link between business incubation and control are referenced directly to specific quotations displayed in tabular form. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories. For example, in the left hand column of Tables 5.7, 5.8 and 5.9 can be found the control over a person code (CP), the 'boundary worker' code (BW) and the control over costs code (CC) followed by a number

which will appear after a specific statement in the text. In the right hand column can be found the specific quotation, followed by the interviewee identifier.

5.4.2 Business incubation and control over a person located in the market

The notion of control figured highly in responses from 12 informants within nine incubatees (see Table 5.10 below for a summary). The degree of control offered by this business incubation scheme was compared favourably to alternative market servicing methods such as joint venture (1), or working via agents (2), whilst at the same time facilitating the representation necessary for in-market coordination and liaison (3).

The control over a person provided by business incubation, and in particular how that person is deployed (4), was viewed as important by informants. This also ensured that the firm’s own objectives (5) or interests (6) would be pursued and that reliable information (7), for example about market conditions (8) or quality (9), could be obtained and judged reliable enough for the purpose of decision-making.

Any existing activities or relationships could also be controlled more effectively through business incubation representation (10). Moreover, the person employed in the business incubator could be trained to behave like a firm’s employee, become familiar with its business approach (11), become an expert about a firm’s products or services (12), and be entrusted to take the company to the next stage of its market commitment (13).

Table 5.7: Supporting quotations for control over a person (1)

Code	Supporting Quotation
CP1	‘And we are back to the discussion that we had at the start and the question of control. In a joint venture, you don’t have the control and we’ve heard so many things about joint ventures going wrong that we thought that this isn’t for us. We then had, I guess, the option of setting up a Rep Office immediately. But we decided that we needed a toe in the water before we did that, which is what Launchpad is.’ C1P1
CP2	‘We had some other offers, from some of the other agents that we work with, ‘I’ll be your office, pay me this or that or the other, and I’ll take it over’. But it was at that point that I became the regional manager for the East Asia region, so I wanted something that I would be able to feel that [Case Study 14] had control over as well. And I think that what Launchpad offered was that and it was a UK based operation as well, but also having legal status in China.’ C14P1
CP3	‘During that 6 to 9 month period from the first to the second stage, we felt that perhaps, one of the things we were weak on was that we lacked control of the process in terms of any local representation.’ C24P1

<i>Table 5.7 Cont.</i>	
CP4	'With Launchpad we have someone who is essentially directed by us. So they spend their time where we ask them to.' C1P1
CP5	'One of the realities that I think that we became aware of, is that every partner has their own objectives for being in a relationship and every partner has their own outcomes that they're looking to achieve.....we have objectives that we need to achieve for C6 in terms of things around job creation in the longer term and investment. And we felt that it was important that we had somebody in Harbin that was working for us and for our objectives.' C6P1
CP6	'Back to the control part. We control how C1P3 spends his time. So there is no conflict. With an agent, an agent usually represents several companies, and they'll have a conflict. Should they spend their time working with us on a Monday morning, or should they spend their time working for one of their other principles? We don't have that. He spends his time how we ask him to.' C1P1
CP7	'....and we have control. I mentioned earlier about the idea of wanting to directly pay an individual but also exert some management over that individual. So we were able to say we want you to explore this avenue, this avenue and this avenue rather than having the sales agent, who would simply go and do whatever they wanted to do, and provide us with information they wanted to provide us with. That didn't strike us as the best way forward. They might be particularly effective, but they're always going to have their own agenda and we didn't really want that, we wanted to have a level of control over the quality of information we got, within a reasonable period of time as well.' C5P1
CP8	'We were looking at other things as well, but the Launchpad was the kind of, well let's do it, it gives us a man in Beijing sort of thing who can do some market research for us, who can go out with the distributor. Because when you're working with the distributor sometimes you don't hear or see...he only shows or tells you what he wants to show or tell you. And if you've got your own person on the ground you quite often find out a lot more about the markets, you know.' C21P1
CP9	'But I would have had to employ an agent to do the quality control and that has always been hit and miss in itself, from what I can make out from other people who import from China. In our industry I think that we are the only one that has used Launchpad. The rest of them tend to use an agents on the ground to kind of consolidate containers, check quality and this that and the other. And these guys are working for loads and loads of different companies and so they're not going to give the same, how can I put it, they're not going to give the same devotion and attention to detail, as having your own person. I mean I know there are other ways of going about it, but I feel more comfortable with a more kind of hands on approach that Launchpad gives me.' C9P1
CP10	'I mean we (already) had some kind of a network but we had nobody to manage that who was Chinese and was working for the university officially. So his presence was the most, I think, the most important thing - that we were able to have a much better control over what we were doing.' C14P1
CP11	'The great thing about Launchpad is that it had people who had our DNA. So we brought people over here, gave them training, tried to make them think about energy saving and cooling the way that we do, which you couldn't do with a consultant. So it gave us just that chance to put in some of those, you know, if you see a cooling problem, we want them to think about it in this way. With a consultant it wouldn't have happened.' C16P1
CP12	'I think the main thing is that you're having a person who is responsible to you and you know they become knowledgeable about your company specifically. They are your eyes and ears in the office in China. And you know, they are there to go and find out things for you that would probably involve you jumping on a plane and going to try and find out yourself.' C21P1
CP13	'Because [C8P1] doesn't know me and cannot find who is the best person to develop his business, he should find a 'communication bridge'. Firstly he should find some people to do it and develop for one year until the business has grown up, then decide to set up a company. This is normal.' C8P2

5.4.3 Boundary workers

As shown above, the findings of this research have shown that the effectiveness of business incubation is highly dependent on the qualities of the person selected by the firm to work in the business incubator. However, NVivo analysis of the data revealed that many Chinese project managers were self-aware about being the only person in China representing the company (1,2,3). For some this meant pressure to achieve with limited resources (4,5), for others there was a sense of responsibility for the development of an entire region (6) As the one and only person in the market, there appears to be more pressure to achieve (7) along with a sense of loneliness (8). To some extent this isolation can be mitigated by the sense of community within the business incubator (8, 9, 10). However, on the positive side, the data also showed that a manager can gain new skills (11), and enjoy the prospect of a bright future with the firm (12), although expectations on how soon this may happen need to be managed (13,14,15).

Table 5.8: Boundary workers and control

BW1	'You know Launchpad manager is the only person who will represent the whole company in China.' C1P3
BW2	'Because Launchpad is just one person.' C2P2
BW3	'Anyway, for (Case Company 8) there's only me in China.' C8P2
BW4	'I am the first person to recruit as a project manager... so we've only got one resource in China at that time, so that means you need to do a lot of things.' C12P2
BW5	'I was the first employee for (Case Company 16) China, so I have a very wide range of responsibility.' C16P2
BW6	'Actually, I am in charge of everything, actually everything, in my area, we call the Far East.' C11P2
BW7	'I am the only person, the only representative'; 'I want to have my own team in the future', is the 'reason I sometimes work extremely hard'; other universities eventually 'come out of the CBBC. They set up their own office, they have their own staff, and they have their own company'; about recognition from UK side: 'I still keep that one (e-mail), because it makes me feel like recognized'... 'so you actually want to work even harder to make them realise actually you exist there...' 'If I'm honest, initially I feel quite lonely. Because I'm the only person, I'm in the big office, but actually I work on my own'; 'everything I have to do on my own. I need someone to do some admin stuff for me.' C3P2

<i>Table 5.8 Cont.</i>	
BW8	<p>'C5 uses Launchpad, just uses me, just one person in China, sometimes I feel a lack of help. Do you understand me? Just one person here, sometimes I feel lonely and have some difficulty in my work which no one can share and no one I can talk to and sometimes you the time difference between China and the UK, the communication is not enough I think.'</p> <p>'And for the other I have very good....with the CBBC office. So that's also helpful for me. Because you know, in this job, as a project manager, only one person, only me in China for (Case Company 5), so very lonely. But working in CBBC office, I have friends, I can talk with them and they are very willing to share me their contacts and information, which is very helpful to my job.' C5P3</p>
BW9	<p>CBBC Support: 'Well I think that helps at a number of levels. First of all, frankly, if we had our man in China sitting in an office by himself, he would go mad, because we don't have daily contact with him. So the fact that he is in an office interacting with other people, at the very basic level, is very helpful to him. But more meaningfully as far as we're concerned, he is sharing experiences with others, but has also linked us in quite effectively, with other CBBC ventures.' C5P2</p>
BW10	<p>'And also I think, it means for C11P2, she's not completely on her own – I think she has the facility of the office to sit in, she has the opportunity to speak to other colleagues in the office. I think it sort of works. I think being on your own for a brand like us, working from home or trying to set up an office would be lonely and lots of distractions.' C11P1</p>
BW11	<p>'For working by myself), I feel a challenge, because though it's a small company, it's totally different, I mean compared working for a big company like 500 top, as my last company. Maybe you just focus on one part, but if you join a company like (Case Company 4), you need responsible for many areas, like sourcing, like quality control, like shipment, like everything - you need to involve all yourselves in this job, but I like it..... it's good for my career I think.' C4P3</p>
BW12	<p>'I still feel lucky because I found this opportunity and it made me stable. Although my position is already on the top, but I still enjoy, because in the past five years, I devoted much, much resources and efforts to establish the office and now it's getting stable. I also had a team to manage and lead and its more enjoyable to manage people than me doing things by my own. Yes, you are correct, when I was working for CBBC I can forecast the new career plan and then when we come out either register a company or a Rep Office.' C18P2</p>
BW13	<p>'The main one is getting reasonable expectations between our board and the person who is doing the Launchpad for us. Because C1P3 is extremely good, extremely enthusiastic, extremely driven and wants to get on with it, and our board wants more and more information. So managing those different expectations is difficult. C1P3's been there for six months and wonders why we've not invested in a building yet. Our board is more risk averse than that and we're not going to take a decision in six months with a several million pound investment.' C1P1</p>
BW14	<p>'If you're going to have someone over there, you've got to keep them involved, informed, motivated, driven, challenged, which you either bring him over here, but there is no point in him spending a lot of time over here. We brought him over here for some initial training.' C1P1</p>
BW15	<p>'Yes, I think so, yes. Because again you could spend a lot of wasted resource bringing someone on then see the signs that they're not happy with what they're doing or whatever. And that was probably the case with C21P2. He did say to me a couple of times off the record, things are not happening right here, and I spoke to the managing director in Australia and said look we need to do something here otherwise we might lose this guy. And he understood his frustration because we were taking our time about what we were doing.' C21P1</p>

It has been shown above how locally engaged staff are prone to feeling a sense of isolation and pressure to achieve, as well as a burden of personal responsibility for the firm's ultimate success

or failure in the market. In order to avoid this vital link to the foreign market becoming fragile and to capitalise on control advantages, firms must give these local managers their full support.

5.4.4 Business incubation and control over costs

Control over costs (1) and cost certainty (2, 3, 4) that business incubation provided was regarded as important in the initial stages of market entry, especially for small companies (5).

Table 5.9: Supporting quotations for control over costs

Code	Supporting Quotation
CC1	'It was a ready-made, turn-key solution. We could define what the cost was going to be, try and define what some sort of deliverables might be over that period of time and we have control.' C5P1
CC2	'The fact that we went in knowing pretty clearly how much it was going to cost us, and being able, if it didn't turn out, to walk away not having done any damage to any relationships or to our reputation was very important.' C5P2
CC3	Interviewer: 'Were there any benefits of having what could be described as a fixed cost?' C8P1: 'Yes of course it always helps to have a fixed cost for budgeting purposes. That's useful.'
CC4	'A big thing about Launchpad was that we could have visibility of costs and control of costs. So what we didn't want to do was, and we have in some countries, you set it all up yourself, and you think that it's going to cost you x , and it will cost you $2x$ or $3x$. And you make mistakes, you hire the wrong people, you locate in the wrong place, you sign contracts which are too long - all those sorts of things. The Launchpad gave us that fixed.... so okay might not have been $1x$, it may have been $1.5x$, but it was never going to be $3x$. So that certainty was for us a real attractiveness. So almost I could see what the downsides were. The downsides were for us, I would spend my $1\frac{1}{2}x$ and I would get nothing, but at least I knew that I wasn't going to be spending 3 or 4 or $5x$.' C16P1
CC5	I think from my understanding because Launchpad I think is a good way for the small UK companies to set up their business in China quickly, and also may be easier cost control to start up.' C16P2

In summary, two key aspects of control figured highly amongst those who attached importance to it. Namely (i) control over a person and his or her deployment in the market (not withstanding the need for support from the home country), and (ii) control over costs. However, the data showed that control was not seen as being particularly more or less important by SMEs (see Table 5.10).

Table 5.10: Business incubation and high control

Business incubation attribute	Support	No. of Cases
High control	C1P1, C5P1, C5P2, C6P1, C8P1, C8P2, C9P1, C14P1, C16P1, C16P2, C21P1, C24P1	9
Of which: SMEs	C1, C5, C8, C9, C16,	4

5.4.5 Summary of control findings

The importance of control is often associated with aspects of foreign market entry, but is usually related to *ownership* through the words ‘joint venture’ or ‘wholly owned subsidiary.’ The interview data obtained in this research points to other aspects of control within the business incubation context, such as control over the deployment of a person in the market and control over costs. Having control of one’s ‘own man’ in the market (see CL8, in Table 5.7), versus reliance on an agent or distributor, was seen as important by eight (C1P1, C5P1, C6P1, C9P1, C14P1, C16P1, C21P1 and C24P1) informants in eight incubatees (e.g. see CL2 to CL12 in Table 5.7). Control over costs was also seen as desirable by five informants (C5P1, C5P2, C8P1, C16P1 and C16P2) within three incubatees (e.g. see CC1 to CC5 in Table 5.9). Such cost certainty is also linked to keeping the risk of overspend to a minimum, as well as being useful for budgeting purposes. Box 5.3 and Box 5.4 summarise the evidence from two case studies to show how the business incubation scheme was viewed as providing a high control method of market entry.

Box 5.3 High control foreign market entry (1)

Case Study 5, a firm of patent attorneys, attached a high degree of importance to exerting control over a person on the ground in China. According to C5P1 ‘[we wanted not only] to directly pay an individual but also exert some management control over that individual. So we were able to say we want you to explore this avenue and that avenue rather than having the sales agent, who would simply go and do whatever they wanted to do, and provide us with information they wanted to provide us with’ (CP7). C5P2 also commented that ‘the fact that we pretty well knew how much it was going to cost us’ was important (CC2). This was reinforced by C5P1, who said ‘we could define what the cost was going to be, try and define what sort of deliverables there might be over that period of time and we have control’ (CC1).

Box 5.4: High control foreign market entry (2)

Case Study 16 is an equipment supplier to the telecommunications sector. As an SME, it attached great importance to visibility and control of costs and the need to avoid an scenario where ‘you think it will cost you x , and it will cost you $2x$ or $3x$The Launchpad gave us that.....so ok, it might not have been $1x$, it might have been $1.5x$, but it was never going to be $3x$. So that certainty for us was a real attractiveness’ (CC4). This view about cost control was also supported by C16P2, who said that Launchpad is a good way for small UK companies to set up their business in China quickly, and also ‘may be easier cost control, to start up (CC5).’ C16P1 also extended the importance of control to the employee, explaining that ‘the great thing about Launchpad was that we had people with our DNA.....we gave them training and tried to make them think about energy saving and cooling the way we do, which you couldn’t do with a consultant’ (CP11).

5.5 Options thinking

The analysis below in Section 5.5.2 will examine the findings relating to how the use of business incubation allows a firm to consider its options on how and when to make a permanent commitment to the market. Section 5.5.3 considers the evidence in relation to how the costs of business incubation are regarded as being a long term investment in the expectation of a later return.

5.5.1 Display of data: options thinking

The method used for data display was explained above in Section 3.6.3. In this section, assertions made about the link between business incubation and options thinking are referenced directly to specific quotations displayed in tabular form. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories (Section 5.7). The quotation codes in Section 5.5 are options thinking (OP), presented in Table 5.11 and 5.12 and 'long term pay off' (LP), presented in Table 5.14.

5.5.2 Strategic options

Thirteen firms indicated that the Launchpad platform provided an opportunity for having a low commitment presence in the market, ahead of a full foreign investment commitment, with the added benefit of providing breathing space to consider challenges and next steps. This was conveyed by one firm as simply having 'the opportunity to take a look' (1). In some cases this was driven by the feeling that something *more* should be done in the market, perhaps in response to competitive activity or unrealised market potential (2), and that representation on the ground could partially address this issue in the short term (3,4). For others there was already some in-market activity underway which needed to be formalised (5). For some firms, what the next step would be not yet clear (6,7,8), while for others it was fairly clear, but time was still required to make the final decision (9).

Table 5.11: Business incubation and options (1)

OP1	‘And I think that is also one of the drivers for looking at Launchpad. You know, as a business incubator. While you grapple with these problems of how are going to approach a market, a big market, a relatively complicated market if you started from scratch, gives you the opportunity to take a look and have a presence there and work on the ground without flying people in and out on a regular basis, or having your own set up there, completely supported from offshore.’ C2P1
OP2	‘As time went on we got more and more aware that our competitors and other companies were setting up businesses in China, that we were losing some work to them and that the market over there was getting more sophisticated and larger so we started to think well we're not getting as much of a share in that market as we would like using that strategy. Now having said that we still got quite a lot of orders there one way or another, normally through OEMs, so we started to say well let's look at doing something more.’ C1P1
OP3	‘It was really just a matter of recognizing that we were not getting the market share that we should get. There was a lot more opportunities for us to sell our products, and those were closed to because we don't have a direct representation or a direct presence in that market.’ C8P1
OP4	‘We were looking at other things as well, but the Launchpad was the kind of, well let's do it, it gives us a man in Beijing sort of thing who can do some market research for us, who can go out with the distributor' ‘And whether that would have been a JV or a sales office, or a factory, or whatever, it was kind of like early stages....we're going to have to do something about China, what are we going to do about it, you know, ...’ C21P2
OP5	‘ If we were to ramp that up, we were pretty conscious of the fact we couldn't continue what we were doing. It was too limiting. We were also concerned that at some stage the Chinese authorities might say this is not right and we weren't quite sure whether we were breaking Chinese law or if we weren't breaking it then was our erstwhile employee in China, our unofficial employee in China'..... ‘We wanted to legitimise, and we wanted to ramp it up.’ C4P2
OP6	‘We started to say well let's look at doing something more. We didn't know what the something more was....’; there was recognition that ‘it was not going to be an extension of what we do in other territories. It was going to be something quite radically different and a much bigger financial investment, even to look at it seriously.....; there was a lot of agonising...about whether to set off on an investigation which would itself cost quite a lot of money which itself might conclude that we need to spend a lot more money and were we really prepared for that; once we decided that ‘it was a no-brainer.’ C1P2
OP7	‘We decided that the market was sufficiently large that potentially we could enter the market directly, and then the question was how to do it, through a branch office, through a subsidiary or whatever. And clearly at that time, the whole idea of doing any of those alternatives was pretty scary for a company of our size.’ C7P1
OP8	‘Because we are not sure whether we should set up a Rep Office or a limited company in China, so we want to just give it a try. So with the Launchpad you don't have to go for the...you don't actually register in China and also low costs for the office and so it's good for us just like try in China.’ C15P3
OP9	‘I was pretty much convinced already that we were going to have our own Rep Office, you know, after a year of Launchpad or our own company.....’but it wasn't really clear'the actual decision ‘was forming. I was just thinking about it’..... Launchpad gave us just a kind of breathing space for a year.’ C19P1

Some firms acknowledged the benefits of low-risk, low cost market familiarisation (10) in order to understand the merits of possible future options (11), including whether the market is right for the firm at all (12,13,14), and how these options might be actioned in a legally compliant manner

(15,16). The Launchpad arrangement would be a stepping stone to a fully-fledged legal entity (17), the desired structure of which would become clear (18) during the time in the incubator.

Table 5.12: Business incubation and options (2)

OP10	‘Because I think there is still some apprehension about businesses who don't currently have a presence in China, how they're going to get to that point, and some scepticism even. And the low cost, low risk, sort of toe in the water sort of approach that Launchpad offers... it gives people a chance to take a look at the thing without risking too much. That will help to convince businesses to take the next step and possibly some of those businesses wouldn't be convinced at all.’ C15P1
OP11	‘It allows you to take that first step without committing a huge amount of resources. And so you get an opportunity of gaining some understanding of what the options might be, before having to commit large amounts of money.’ C2P1
OP12	‘ I think this programme definitely help the company to think twice about whether they want to enter the market or not and the cost is much lower than just setting up a Rep Office or WFOE and it help them to know the market first and to think when they really want to enter or not. So I think the programme for the company is cost effective.’ C2P2
OP13	‘The most sensible way forward because it gave us the opportunity to establish ourselves in China but in a very secure environment, with very little risk to our business really, and then build our understanding of the market further’ ‘I think a very risk-free way to understand that market and understand what you want to do in that market in the longer term and whether having a business in mainland China is actually the right thing for your organisation.’ C12P1
OP14	‘The establishment options I mentioned earlier, they were certainly not off the table. It’s just that as an initial stepping stone, something like Launchpad that’s where it comes into its own. If you’re not sure, whether setting up a legal entity is for you, or if you are willing to make that time or financial commitment for that, then something like Launchpad allows you test the water I suppose, whilst ticking all the boxes that you need to do from a regulatory perspective.’ C10P1
OP15	‘We didn’t understand the legal aspects of setting up a company in China. You know, we probably forecast that there maybe one or two pitfalls in our doing that and thought that the best alternative was to use CBBC to get us a foothold in the market and to let us grow. And to be honest, we also kind of used it as a bit of a testing ground because we didn't know whether it would work or not. So for us, that was the best solution.....testing getting our own person on the ground. Really to see, in actual fact, that would make any difference. And, you know, the truth is, it has. So...yes...that's basically what we're testing.’ C20P1
OP16	‘The general impression we had, without going investigating, was that the Chinese market would be quite closed. It would be quite tough for us to get approval to set a business up and there would be an awful lot of regulation that we would need to comply with in order to get to that point. So that was the main worry.’ C23P1
OP17	‘I mean I’ve always considered entering Launchpad as being a stepping stone to having a legal entity and that’s the way I have portrayed what we have done - that it is a stepping stone, and yes customer, we will in 12 months or 24 months’ time, or whatever it happens to be, have a legal entity.’ C8P1
OP18	‘The main points would have been the fact that is was a good stepping stone, I think, for us. You know we are now considering taking the next step which would be to have a, and I can’t remember the term now, I think it’s wholly foreign owned subsidiary?’ C20P1

At this point it is worth reviewing terms used by interviewees to describe the role of Launchpad, as some similar language was also used in the evidence quoted in Sections 5.3 on minimising

risk and the market entry decision. Eight firms in total used terms such as ‘stepping stone’, ‘test the water’, ‘trial entry’ (see below).

Table 5.13: Terminology to describe role of business incubation

Term	Support	
‘Stepping Stone’	MD8/C18P1; OP15/C10P1; OP18/C8P1; OP19/C20P1	4
‘Test the Water’	MR21/C10P1; MR22/C20P1; MR25/C23P1; MD7/C21P1	4
‘Trial entry’	MR19/C23P2	1
Half way house	MD6/C23P1	1
Testing Ground	OP16/C20P1	2
‘Toe in the Water’	MR23/C1P1; OP10/C15P1;	2
‘Sanity Check’ market	MR29/C18P1	
Total	C1P1, C8P1, C10P1, C15P1, C18P1, C20P1, C21P1 <u>C23P1, C23P2</u>	8

5.5.3 Long term pay-off

Three firms viewed the costs associated with using the Launchpad scheme within the context of a longer term investment exercise (1,2,3) and one rationalised the extra attention or resource allocated to China as being in the long term interest of market success (4). Another saw the nature of a longer term return on investment as a particular market characteristic for China (5).

Table 5.14: Business incubation as long term pay-off

LP1	‘It was very, very much an investment and it was part of a larger investment, because yes, obviously there is a cost attached to procuring that service from CBBC, but that cost was transparent, it was fine. And we budgeted for it. I’d say that it was part of a larger investment. I did a number of other trips to China that year to look at trade exhibitions. We spent a bit of money sending examples of products, some of it quite bulky product over to China. We had samples flown back here for assessment. Towards the end of the year, we took a couple of clients out to see factories that we had identified. So the Launchpad costs in themselves were only one element of a much larger investment that we committed to, because our view was exactly that, that it was an investment not a cost.’ C18P1
LP2	‘Certainly at the moment we are considerably out of pocket. We’re not seeing any actual returns. But like I said we went into this looking for a medium to long-term gain rather than a short term gain.’ C5P2

Table 5.14 Cont.

LP3	'And Launchpad, you know, it's quite a big cost for a business like us to bare, but we think it's justifiable over a couple of years.' C4P1
LP4	'Plus in some ways I suppose the 'opportunity cost', because if we got a sales guy or an applications engineer going to China, for a week or two weeks, then they're not somewhere else doing something else which could have a greater short term benefit, but a less good long term benefit.' C1P1
LP5	'As we sit today, the ROI has been zero, but we didn't expect it to be anything else, so that thing of, this was a journey, which may take us years and years, we're prepared to spend or invest that amount of money and nothing that I've seen so far has made me think that that wasn't the right decision. Even though financially we will have spent, in 4 years, I think we will have spent a million pounds. So for a little business it's cost us a lot, but it is the market and it will increase the value of the business. To date, we've probably spent a million pounds and sold a couple of hundred thousand. But having said that, we're expecting to sell through the distributor this year, a million and a half. So when will we get our money back? Probably in another two or three years. So if you think of the journey from 2009 to getting our money back, 2015. It's probably a six year journey to break even. I wouldn't have thought that we were any worse or any better than anyone else in that. I was going to say, it's nothing about Launchpad, it's probably just taken twice as long and twice as much money as we thought to start to get a foothold in the market.' C16P1

Table 5.15 shows that SME's attached importance to business incubation's ability to create options for further, deeper involvement in the market.

Table 5.15: Business incubation and options summary

Business incubation attribute	Support	No. of Cases
Creating Options	C1P1, C1P2, C2P1, C2P2, C4P2, C7P1, C8P1, C10P1 C12P1, C15P1, C15P3, C19P1, C20P1, C21P2, C22P2 C23P1;	13
Of which SMEs	C1, C2, C4, C7, C8, C12, C15, C19, C20, C23	10

5.5.4 Summary of options thinking findings

The data shows that firms, upon utilising business incubation as a method of foreign market entry, were not always clear on what the exit mode would be (e.g. OP4). The market potential justified an in market presence - 'something more' needed to be done (e.g. OP6) – but a further invested presence may have taken any one of a number of forms and further investigation was required to settle on which one (e.g. OP10). The term 'stepping stone', 'test the water', 'toe in the water' were used to describe the function of business incubation in the firm's internationalisation process. Box 5.5 and Box 5.6 show two case studies which attached importance to the platform functionality of business incubation.

Box 5.5: Options thinking case study (1)

Case Company 2 is a manufacturer of systems for the water sector. The company had experience with dealing with projects in the Middle East, but not China. C2P2 explained how business incubation presented the firm with an opportunity to grapple with the problem of how to approach ‘a big market, a relatively complicated market... it gives you the opportunity to take a look and have a presence there and work on the ground without flying people in on a regular basis or having your own set up there’ (OP1). The Chinese manager agreed, saying ‘you get an opportunity of gaining some understanding of what the options might be, before having to commit to large amounts of money’ (OP11) and such an arrangement also ‘helps the company to think twice about whether they want to enter the market or not.’

Box 5.6: Options thinking case study (2)

For Case Company 15, a firm of patent attorneys, business incubation provide the opportunity to take a look without risking to much. C15P1 said ‘the low risk toe in the water sort of the approach that Launchpad offers....it gives people to the chance to take a look at the thing without risking too much’ (OP10). The Chinese manager C15P3 also said ‘ because we were not sure whether we should set up a Rep Office or a limited company in China, so we just wanted to give it a try.’

Section 5.4 in the last chapter has already shown that the cost of business incubation as a method of foreign market entry (in terms of rent, service fees and salary, for example) is easily estimated and controlled. This section shows how some interviewees viewed such costs as an ‘investment’ in the future (e.g. see LP1-LP3 in Section 5.5.3).

The data shows that in not committing to a full investment straight away, a range of next steps such as joint venture or sales office (e.g. OP4) branch office or subsidiary (e.g. OP7) are still available. Also, as shown in section 5.3 in the last chapter, business incubation also provides an opportunity to withdraw from the market (see e.g. RK30-RK40 in Table 5.5). The decision to proceed or withdraw may be taken after the water had been tested.

5.6 The foreign market entry decision

Having explored the overall risk and control profile of business incubation, this section examines how the attributes of business incubation influence the foreign market entry decision.

Risk in relation to the decision to enter a foreign market is examined in Section 5.7.2, followed by cost in Section 5.6.3 and immediacy of market entry in Section 5.6.4. How the availability of business incubation can act as a tipping point for a firm's foreign market entry is considered in Section 5.6.5. The data reported in this section are very rich and is supported by additional interviews in four cases (C1, C4, C5 and C15 - see Table 3.8). The foreign market entry decision was labelled as Research Theme 2 in Section 2.4.

5.6.1 Display of data: the foreign market entry decision

The method used for data display was explained above in Section 3.6.3. In this section, assertions made about the link between business incubation and the foreign market entry decision are referenced directly to specific quotations displayed in tabular form. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories (Section 5.6.7). The quotation codes in Section 5.6 are decision-making and risk (DR), presented in Table 5.10; decision making and cost (DC), presented in Table 5.12; decision making and immediacy of entry (DI), presented in Table 5.14; and the catalyst function of business incubation (CF), presented in Table 5.16.

5.6.2 Decision-making and risk

The foreign market entry decision has been acknowledged as being very complex (Aharoni, 1966, Buckley et al., 2007). For 11 informants within nine incubatees (Table 5.11), the low risk nature of Launchpad was found to be influential in the decision to enter the Chinese market, in that it offered a compromise between selecting a high risk, high cost market servicing option and not entering the market at all. This notion of compromise was explored during the interviews (as highlighted in quotation code cells DR4, DR5, DR6, DR7 and DR9 in Table 5.10 below). Having no presence in the market would mean a low level of control over sales agent activity. However, with a full commitment investment, there is greater control, but also greater financial risk (1). As a method of foreign market entry, Launchpad can be accepted relatively quickly as a lower risk option, particularly if little had been done in the market before (2), or where little was known about the market (3).

In sampled incubatees where shareholders were particularly risk averse, Launchpad was an attractive default option, owing to there being little chance of complete failure (4), and also to the 'official' nature of the particular business incubation scheme (5). For one informant,

Launchpad was described as “a really good half way house, that allowed us to persuade the shareholder that we could take a little step towards entering the market without going the whole way and committing to a subsidiary company”(6). The ability to test the market whilst in Launchpad made the decision to enter the scheme a palatable one (7, 8, 9). Overall, the availability of this market entry mode was able to drive consensus amongst conservative and more progressive decision-makers (10), especially when, for example, the decision was being considered in great depth (11).

Table 5.16: Supporting quotations for risk and business incubator entry

Code	Supporting Quotation
DR1	‘Because, as we said, you can either scratch the surface and not really know what you don’t know about the market - and that might be working through sales agents. You don’t know whether your sales agent is representing you well - or otherwise, whether you’re achieving full value or not, you don’t have that level of control. But in order to go to the other extreme and exert more control is incredibly costly and a great financial risk for any organisation to take. So yeah it represents a compromise and quite an effective one I think.’ C5P1
DR2	‘I wouldn’t say that it was ‘off the shelf’ but it was a kind of ready-made way to the market. And it was also something that [Case Study 14], would accept quickly I think. Because they hadn’t done anything in China. This was something that they probably felt was lower risk than other things so it was maybe more palatable to them than some of the other ideas that would have been lurking around.’ C14P1
DR3	‘We tried to run it out of the UK with UK people, then realized fairly quickly that that just wasn’t sustainable as a model, and very quickly got into the Launchpad. So we looked at setting up a subsidiary on our own. It was too complex, just too many unknowns. So we went to the Launchpad. That was just the easiest route forward. So fairly quickly we came to a Launchpad decision.’ C16P1
DR4	Interviewer: ‘I just want to take you back to one other point that you were making. You were talking about the shareholders of the company. Did the nature of the scheme make it more acceptable to shareholders in terms of its risk profile?’ C15P1: ‘Well I work in a business where the tendency, it’s a self-selecting group really, in many respects, where the tendency is towards risk aversion, and therefore for that kind of industry [Launchpad is] ideal. Not only because the cost risk is small, but because there is very little risk of complete failure as it were, and also because of the official sort of connection that CBBC has, the semi-official kind of authority that it has. All of those things helped to get past the anxiety that ultraconservative shareholders in my kind of business normally feel.’
DR5	Interviewer: ‘And amongst the decision-making at that time, I’m assuming that this might have been a boardroom decision. Did Launchpad tick a box because it fell into the middle-ground between jumping in and not doing it at all?’ C15P2: ‘I think it was just an easy entry, yes. And I think what our partners were looking for, was to be convinced that what we were doing wasn’t rash or risky or terribly scary and so I think Launchpad was a really good way to do that. And they didn’t want me or others in the executive team having to spend you know, weeks researching all the aspects of Chinese law and the regulatory environment and having all the translations that go with that, you know paying lots of lawyers. And CBBC doing it as part of their sort of service and facility seemed really a good way. And by then we’d worked with CBBC a little bit. We’d developed a good understanding of their role, their standing in the Chinese business community and their links with UKTI and so on, all of which seemed positive and were likely to be helpful to us.’

<i>Table 5.16 Cont.</i>	
DR6	<p>Interviewer: ‘When you talk about that process of getting to know China, was the decision to use a scheme like Launchpad a board decision and were some of these issues discussed at board level? The reason why I ask is that sometimes a scheme like this can be considered a bit of a compromise, between those who want to just jump in and those that want to hold back.....and I wondered whether there was any dialogue....’</p> <p>C23P1: ‘Yes, there was a lot of dialogue. This comes back to the ownership of [Case Study 23]. So at the time [Case Study 23] was owned by one individual, who held 87% of the shares and he was a very conservative person in terms of his approach to investment. So when we came back from our meeting with [Client Company xxx], two of us travelled out to China and met a few companies - met up with the people at CBBC and started to get quite excited about the opportunity. But one of the issues that we had was persuading our shareholder to invest and to take the risk to open a business in China. And we very quickly established that in order to operate in China, we would need to put some capital in to open a new business and he was very, very reluctant to put up any capital, particularly at the start. So what the Launchpad scheme allowed us to do was have those discussions with him and agree with him that we could go in, almost sort of test the water with the Launchpad scheme, get somebody in the market, we could start talking with customers from the UK, with someone on the ground and start to get more of a feel for the opportunity that was out there. So it was a really good half way house, that allowed us to persuade the shareholder that we could take a little step towards entering the market without going the whole way and committing to a subsidiary company. And that became even more important when we started to understand the requirements for setting up a subsidiary, because for us to operate in China there was a minimum capital requirement of RMB5 million, which was something he baulked at quite considerably. So yes, the discussions, I mean, we're a very small company with a reasonably limited hierarchy within the business. So entering China was immediately something which was discussed at board level. It was something that I was very keen on, so it immediately became a topic for the board.’</p>
DR7	<p>Interviewer: ‘One of the things I'm looking into is whether Launchpad might also be described as a bit a compromise candidate, because some of the companies that I've interviewed so far, amongst the decision-makers there's been sort of gung-ho people that say we need to make our footprint in China now, and those people who are a bit more conservative. And I just wanted to ask whether entering the market had been a board decision and whether some pros and cons about entering the market had come up in earlier discussions, and whether Launchpad had sort of just fitted the bill, or not.’</p> <p>C21P1: ‘We've always seen China as obviously a key market. And for our product it will be coming up to 50% of the world demand, you know. So I think we wanted something on the ground, but we were quite slow to react, you know, we're a very cautious and safe company in that respect, you know, let's just test the water a little bit and then it'll take us maybe a few years to get sorted out, which is the case just now.’</p>
DR8	<p>‘In a joint venture, you don't have the control and we've heard so many things about joint ventures going wrong that we thought that this isn't for us. We then had, I guess, the option of setting up a Rep Office immediately. But we decided that we needed a toe in the water before we did that.’C1P1</p>

<i>Table 5.16 Cont.</i>	
DR9	Interviewer: 'I mean one of the observations I've made through other interviews, is that a scheme like Launchpad can be a bit of a compromise between those who want to rush ahead and those who are a bit sceptical . Would you subscribe to that kind of description?' C18P1: If I was being really pedantic, 'compromise' is probably harsh. It was a proving ground. It was a stepping stone. So for us it was an absolutely logical step in the process. And it allowed me to prove to the PLC board that it would and did work. So as I say, I think probably 'compromise' is probably a bit of a blunt term for it. For me it was a natural process, step.... Had we not had a Launchpad option, it wouldn't have been as easy a decision to make because it was all unproven and it was costly and it was time consuming to open an RO.'
DR10	'And you've got someone like me who's probably a little bit too <i>gung ho</i> , and someone like [C4P2] who is let's say, reserved. I think the truth of it was we probably both moved a little bit that way and then started thinking well maybe this is the way that we need to go. So it was actually maybe just a little bit of consensus wasn't it?' C4P1
DR11	'We did various sorts of papers. We jotted down different ways of going.... Our own Rep Office, a JV, I forget what the term is for a full company, but the full presence... And also Launchpad. And we went through the pros and cons and did all sorts of analysis of which way to go. We worked on costs. We worked on budgets. We did some significant work. It was not a 5 minute decision.' C4P2

Table 5.11 below shows that five out of the nine incubatees acknowledging the 'compromise' attribute of the business incubation option were SMEs. However, this characteristic was prevalent across all incubatee sizes, sectors and types.

Table 5.17: Business incubation as 'compromise' option

Business incubation attribute	Support	No. of Cases
'Compromise' for decision maker	C1P1, C4P1, C4P2, C5P1, C14P1, C15P1, C15P2, C16P1, C18P1, C21P1 ,C23P1	9
Of which: SMEs	C1, C4, C5, C16, C23	5

5.6.3 Decision-making and cost

In deciding to select business incubation as a market entry method, cost was a factor for 14 informants within 12 incubatees (see Table 5.19). The cost, in comparison to other options, was taken into account by three incubatees (1, 2, 3) and for another the issue was more about 'affordability' in comparison to other options (4, 5). Two informants (C11P1 and C17P1), whilst *not* regarding the scheme as low cost, considered that the scheme was right for their particular stage of market entry (6, 7). To be able to take a step without committing a huge amount of resources was attractive (8, 9) as was the fixed cost element (10, 11), and the ability to proceed quickly with in-market business development without overcommitting further resources (12, 13, 14, 15).

Table 5.18: Supporting quotations for cost and business incubator entry

Code	Supporting Quotation
DC1	'Certainly whilst Launchpad isn't cheap, it's certainly the least expensive of the options.' C8P1
DC2	'Obviously, the costs of Launchpad weren't as high as trying to set up ourselves, setting up a WFOE. But I think in terms of the decision between Launchpad and WFOE....costs were obviously an aspect, but the other aspect was time scale. So to set up a WFOE would've entailed the whole process of registering as a business and filling forms in, and so we actually did some work into what the costs of that would be, worked with a company locally to us who can handle all the legal side of that. And I think they come back with a cost of something like that...I think it was £25,000 or £30,000 as a sort of way of getting the business set up, the WFOE set up. And that was before you employed anyone, before you got any premises.' C4P1
DC3	'If you want to open a rep office you still need to spend a lot of money for registration and you have to rent the office, you have to hire the correct person, all these things, and it takes an even longer time to start the business.' C23P2
DC4	'Affordability was the issue... It's not quite the same thing, but I think the expected cost of Launchpad was in the region of £50,000 for a year. We know we can afford £50,000 for a year, so we saw it as a very low risk way of doing good market research, more intensive market research.' C1P1
DC5	'So that you can say well let's not worry yet about whether we want to spend a million pounds on putting a factory in China - let's just worry about whether we want to spend £50,000, getting to a point where we really understand it better, or a hundred thousand pounds. That's a much easier decision for a board to take and say well let's at least do that. That can be taken for perfectly good reasons, or for pure indecision reasons.' C1P2
DC6	'Well I think for what we use, I think it's expensive. But I'm willing to carry the costs for two years. I think probably we could establish an office, a registered office or whatever it is, and save some money. But I don't think that's the right step for us at the moment.' C11P1
DC7	'When we started Launchpad, we thought it was fairly high, because it came on par with having our own office, but then we swallowed that and thought that's fine.' C17P1
DC8	'It allows you to take that first step without committing a huge amount of resources. And so you get an opportunity of gaining some understanding of what the options might be, before having to commit large amounts of money. I mean, logically in our case it's likely to lead on to a joint venture company, or that sort of thing. Now, there will be various costs associated with that which will be completely different, and on a different scale to what we're talking about, in terms of costs of Launchpad.' C2P1
DC9	'I think it's a very cost effective way to enter the market.... It enabled us to build our staff numbers there in a really risk-free way, to be honest. We were able to build-up... And our cost exposure there was managed over time.' C12P1
DC10	'Whilst it wasn't the cheapest thing in the street, it wasn't very expensive. It was a fixed, relatively fixed sum, a known sum and we could say 'well okay, it's going to cost us x, and are we prepared to put that in as, you know, risk capital so to speak, in getting into the market?' And if you have a branch office you really have no idea what it's going to cost you, and even if you did, you've no idea how much time are you going to spend setting it up. Whereas here, you pay your money, it's all done for you, it's all pre- set up. You know how it's going to work and, you know, it's transparent and [C7P2] wasn't having to waste a huge amount of time on admin and local administrative issues, which he would have had to have been if we'd set up a branch office. So you know... the costs are significantly less than would be occurred in trying to set up a branch office.' C7P1

DC11	'Some of the investors liked the idea of that certainty on cost. In fact most of them it was the certainty on costs, and the fact that it wasn't going to be a massive, open-ended cheque being written. I think they all liked that and that was attractive.' C16P1
DC12	'The fact is that it's very quickly arranged, it's not very expensive to arrange.' C15P1
DC13	'Alright, we would be paying a cost obviously for the service. But we would be able to get on with our business in the meantime. So you know, so yes we could probably do it, or might be able to do it cheaper if we didn't have CBBC. That was a possibility. But the amount of time, if we were to cost in the time that we going to have to put into it, probably the extra visits that we were going to have to put into it. And then we're having regular visits to China. There is another one due next month. It was just going to be too much for us. We thought that this is not going to work. We need somebody to help us.' C4P2
DC14	'Personally, I'll have to give you my personal take on this rather than the company view, but personally think that it's a hell of a lot cheaper than trying to do it without any support.' C5P1
DC15	'I personally think (the cost is) very reasonable, because it's a downtown location. There's no doubt that the investment we would have had to have made in time and money we would have been far greater than just plugging into the system. Which was just like that [clicks fingers]. Because, you just had to fill in a few forms. And I came out and did 20 interviews in Beijing in a week. And we got a good guy. So it's a no brainer to me.' C3P1

Of the twelve incubatees where low or reasonable cost was a factor in a firm or organisation deciding to use the Launchpad incubation scheme, 11 were SMEs (see Table 5.19).

Table 5.19: Cost as a factor in the decision to use business incubation

Business incubation attribute	Support	No. of Cases
Low cost	C1P1, C1P2, C2P1, C3P1, C4P1, C4P2, C5P1, C7P1, C8P1, C12P1, C15P1, C16P1, C20P1, C23P2	12
Of which: SMEs	C1, C2, C4, C5, C7, C8, C12, C15, C16, C20, C23	11

5.6.4 Decision-making and the immediacy of foreign market entry

Fourteen incubatees within ten incubatees (see Table 5.20) commented on the immediacy offered by Launchpad as a means to enter the market. Three informants found the Launchpad scheme a quick, low cost market entry option (1, 2, 3), and another three commented on the speed in comparison to alternative modes (4, 5, 6). For some informants, the immediacy, availability and third party endorsement (7) of the Launchpad option, which required little in terms of paperwork to finalise, was key (8, 9, 10). It brought advantages in terms of speed to market (11, 12) and accommodation within a supportive environment (13). The scheme also provided a means of employing a person quickly, or according to required timelines, without the bureaucracy of direct employment (14, 15, 16). And that person could quickly become involved with market development activities required to justify a more substantial commitment (17), without the UK

side becoming overly burdened with administrative tasks to support that person (18). For one informant, the availability of the scheme was regarded as creating a low barrier to entering the market (19).

Table 5.20: Supporting quotations for immediacy of entry and decision-making

Code	Supporting Quotation
DI1	'The Launchpad service, it's pretty easy to set up, it's quick and the cost is low.' C1P3
DI2	'The fact is that it's very quickly arranged, it's not very expensive to arrange and people that you're talking to know what all the issues are straight away.' C15P1
DI3	'It's an easy and straightforward way to get into China.' C14P2
DI4	'The other alternative, a Rep Office would be more expensive and would take longer to set up.' C1P3
DI5	'It's a little bit easier than establishing a kind of representative office at the very beginning.' C22P2
DI6	'If you want to open a rep office you still need to spend a lot of money for registration and you have to rent the office, you have to hire the correct person, all these things, and it takes an even longer time to start the business.' C23P2
DI7	'It was purely down to the fact that it was pre-existing, tried and tested and came with a recommendation from UKTI.' C5P1
DI8	'It was available. So it was quick and immediate.' C1P1
DI9	'It was a ready-made, turn-key solution.' C5P1
DI10	'Launchpad is very easy to set up. You don't really need to go through the bureaucracy and all the paperwork. You just sign the contract and pay the money straight away. And also if you get the right people, you can start from the next day.' C3P2
DI11	'The immediacy, the speed to market of what it offered. It wasn't a long drawn out process of negotiating with a Chinese partner or complicated contracts and things like that. And it was a product that was ready.' C14P1
DI12	'So it was kind of the fact that it was...I wouldn't say that it was 'off the shelf'.... but it [was a] kind of a ready-made way to the market. And it was also something that [Case Study 14] would accept quickly, I think.' C14P1
DI13	'The rationale for Launchpad was that it gave us a fairly immediate base in Shanghai, as we chose, with people, surrounded by people who were pretty much experts in the market place, but had a particular drive to help support UK manufacturing.' C7P1
DI14	'It was the ability to have our own man on the ground without any of the delay and risk or bureaucracy of having to go out and find somebody and employ them ourselves.' C5P2
DI15	'It was the only scheme I was aware of at the time that allowed us to employ someone, or to have someone employed on our behalf, that wouldn't have involved us directly employing and going through that bureaucratic rigmarole.' C18P1
DI16	'Because it was available. It was a tried and tested, official, legally compliant, convenient and fast, cost effective way up of having someone in China within six months of me wanting to have them there.' C3P1
DI17	'Launchpad allowed us to very quickly employ someone and get them working and actually, you know, start to reap some of the benefits of China sourcing and therefore allow us, I suppose, to just sanity check the conclusions we'd drawn and just make sure absolutely that it was right for us before we committed the time and money and effort into establishing our own operation.' C18P1
DI18	'So I had my own team. I could go there without getting bogged down in administration and trying to work your way through a different country. So it was low touch, it was fixed amount, and it was quick, it was quick.' C16P1
DI19	'I think it was a fairly low barrier to entry really'. C15P1

Of the ten incubatees where speed and immediacy was a factor in a firm or organisation deciding to use the Launchpad incubation scheme, five were SMEs (see Table 5.21).

Table 5.21: Business incubation and speed of foreign market entry

Business incubation attribute	Support	No. of Cases
Speed and immediacy	C1P1; C1P3, C3P1, C3P2, C5P1, C5P2, C7P1, C14P1, C14P2, C15P1, C16P1, C18P1, C22P2, C23P2	10
Of which: SMEs	C1, C7, C9, C15, C16	5

5.6.5 The market entry catalyst function of business incubation

Ten informants within nine incubatees (see Table 5.22) admitted that without the availability of a Launchpad scheme they would not have set up a presence there. Either they could not have decided how to enter the market (1, 2, 3), or were too risk averse or afraid to enter it (4, 5). One firm could not have persuaded the company owner to proceed unless Launchpad was used (6). Some incubatees would have found other ways to service the market, either from the UK (7), or through agents or distributors in China (8, 9, 10), but in the knowledge that they were not able to reap the possible rewards of the market (11). The support or hand-holding offered by the Launchpad scheme was a critical factor for two informants (12, 13).

Table 5.22: Supporting quotations for business incubator as market entry catalyst

Code	Supporting Quotation
CF1	'We would have carried on saying it's a big growing important market, and we need to do something, we just don't know quite what.' C1P1
CF2	'So yes, without CBBC I don't think we would have...I mean we would have been in the same position as we were 5 years ago, basically now. Umzing and aarhing and not really knowing what we should do about the Chinese market.' C20P1
CF3	'I can't imagine doing it any other way apart from Launchpad. So, we looked at... consultants, but in the end they've got a number of customers and...they're not your DNA at all.' C16P1
CF4	'Yes I think that from our perspective, as a fairly risk averse organisation, we may not have been able to make the move at all without CBBC.' C12P1
CF5	'I doubt we would have been brave enough. I think the more we looked into it the more we were starting to get a little bit scared, of the time and the commitment that we were going to have to put in.' C4P2

<i>Table 5.22 Cont.</i>	
CF6	'It would have been extremely difficult for us to persuade the shareholder to make the investment, if it had just been a case of OK, we're going to have to set up a company, we're going to have to put in RMB 5 million, and there is no business coming in today, we haven't got a prospect list....We would probably have ended up trying to find a partner and, you know, it's impossible to tell how that would have gone. So, yes, I mean there is a significant probability that we wouldn't have entered the market if it hadn't been for the Launchpad scheme. Without the Launchpad scheme it would either have been more difficult in a sense to actually persuade the shareholder to enter the scheme or alternatively we just wouldn't have done it. We would have entered maybe, you know, in a different market, or not gone in at all.' C23P1
CF7	'I think what we would have done, is that we would have probably had to employ, and give a temporary contract to a manager in [the UK], to lead the project, because none of us could have given sufficient time to do that. I think we would have had to have employed somebody here.' C4P2
CF8	'Maybe continuing to use agents more effectively, or an arrangement with another foreign firm already out there.... I don't think we would have been looking seriously at putting our own employee in China and our own factory. I think we just wouldn't be going down that route.' C1P2
CF9	'I think we would have stayed where we were. I think we would have been happy with the business we were generating. We would have continued with our existing distribution network and to a certain extent I think we probably would have ended up maybe even going through one exclusive distributor, rather than looking at industry specific distributors and expanding into China. Because that was the case. We did only have one distributor.' C20P1
CF10	'It would have been a lot more hit and miss. I know there are other ways of skinning a cat. But I would have had to employ an agent to do the quality control and that's always been hit and miss in itself, from what I can make out from other people who import from China.... I mean I know there are other ways of going about it but I feel more comfortable with a more kind of hands on approach that Launchpad gives me.' C9P1
CF11	'I think we would have bumped along the bottom using our network of distributors, our sales would have increased bit by bit, but we certainly would not be capable of reaping the rewards...I think that if we hadn't used Launchpad we would have never taken this step, because it was just too daunting a process.' C8P1
CF12	'So that in 2012 when we decided to actually establish ourselves as a wholly foreign owned enterprise, and a legal entity in China, we were doing it with a real level of confidence that I don't think would have been possible if we had not had the support and expertise of CBBC in Launchpad in the preceding years.....I think that without any doubt at all that if we didn't, or hadn't had the support of and worked within the CBBC framework, we would not have been able to establish the wholly foreign owned enterprise business that we have now. I don't think we would have had the confidence to do that at all.' C12P1
CF13	'I think the term Launchpad is very, very apt, because if you don't have a Launchpad, it doesn't matter what sort of vehicle you've got, you're never actually going to get off the ground. And I personally feel that the firm would never have bothered with China, had it not had that sort of hand holding option.' C15P1

A close look at the data indicated that out of the nine incubatees that said they would have not entered without Launchpad, all were SMEs (see Table 5.23).

Table 5.23: The catalyst function of business incubation

Business incubation attribute	Support	No. of Cases
Catalyst	C1P1, C1P2, C4P2, C8P1, C9P1, C12P1, C15P1, C16P1, C20P1, C23P1	9
Of which: SMEs	C1, C4, C8, C9, C12, C15, C16, C20, C23	9

5.6.6 Summary of decision-making findings

The findings reported in Sections 5.3 and 5.4 showed how business incubation is a low risk, high control method of foreign market entry. The findings presented in Section 5.6.2 show that if a firm or organisation is not yet confident enough to have a full investment, it may choose to enter a ‘half-way house’ mode until the case is justified for making a further commitment. The interview data (e.g. DR1-DR5, in Table 5.16) shows that business incubation can offer a compromise for board members or for senior decision-makers, somewhere between action and inaction. This is highlighted particularly well in Box 5.7 and Box 5.8.

Box 5.7: Business incubation and foreign market entry decision-making (1)

Case Study 4 is a manufacturer of brushes for domestic and industrial use. It needed a presence in the market to coordinate sourcing and supply activities. C4P1 said ‘And you’ve got someone like me who’s probably a little bit too *gung-ho*, and someone like David who is let’s say, reserved. I think the truth of it was we probably both moved a little bit that way and then started thinking, well maybe this is the way that we need to go. So it was actually maybe just a little bit of consensus wasn’t it?’ (DR10). C4P2 said ‘We did various sorts of papers. We jotted down different ways of going...our own Rep Office, a JV and also Launchpad. And we went through the pros and cons and did all sorts of analysis of which way to go. We worked on costs. We worked on budgets. We did some significant work. It was not a 5 minute decision’ (DR11). The business incubation option was viewed as a compromise, giving the company a fast and legitimate presence for market development purposes, but providing more time to justify or build a case for having a full investment presence in China. C4P2 said that without Launchpad, ‘I doubt we would have been brave enough [to enter the market]. I think the more we looked into it the more we were starting to get a little bit scared, of the time and the commitment that we were going to have to put in’. (CF5).

Box 5.8: Business incubation and foreign market entry decision-making (2)

Case Study 23 is specialist logistics provider. One individual held 87% of the company. He was very conservative in his approach to investment and was reluctant to put capital up front to start a business in China. However, the shareholder agreed to Launchpad as a means to 'test the water.' C23P1 described the arrangement 'as a really good half way house, that allowed us to persuade the shareholder that we could take a little step towards entering the market without going the whole way and committing to a subsidiary company' (DR6). C23P2 (the Chinese manager) also explained the compromise from a cost and speed of entry perspective, 'if you want to open a rep office you still need to spend a lot of money for registration and you have to rent the office, you have to hire the correct person, all these things, and it takes an even longer time to start the business.' (DI6). C23P1 said, 'there is a significant probability that we wouldn't have entered the market if it hadn't been for the Launchpad scheme.' (CF6).

As the interview data revealed in Section 5.6.3 above, cost is an important factor in the foreign market entry decision for Launchpad users. In this regard, the cost of business incubation compared to other options (e.g. see quotations DC3, DC4 in Table 5.18) is also a compromise between spending nothing (and therefore not establishing a presence in the market) and investing a larger amount (see Box 5.7). The fixed cost factor is also attractive (e.g. see DC10), along with the benefit of being able to engage quickly in business development activity without being concerned with set up. These findings further support the notion that business incubation offers decision-makers a compromise. Furthermore, some incubatees would not have entered the market at all had it not been for the availability of a business incubation option (see quotations CF1-12 in Table 5.22 and Box 5.9).

Box 5.9: Business incubation and foreign market entry decision-making (3)

Case Study 1 manufactures equipment for the food industry. C1P2, the managing director, explained that the board needed to be presented with a convincing business case before committing to a full investment and that Launchpad provided a compromise solution, 'So that you can say well, let's not worry yet about whether we want to spend a million pounds on putting a factory in China - let's just worry about whether we want to spend £50,000, getting to a point where we really understand it better, or a hundred thousand pounds. That's a much easier decision for a board to take and say well let's at least do that.' (DC5). C1P1, a director, elaborated on the alternatives, 'In a joint venture, you don't have the control and we've heard so many things about joint ventures going wrong that we thought that this isn't for us....But we decided that we needed a toe in the water before we did that' (DR8). On the speed and immediacy offered by Launchpad, Chinese manager C1P3 said 'the Launchpad service, it's pretty easy to set up, it's quick and the cost is low' (DI1), while UK director, C1P1 commented, 'It was available. So it was quick and immediate. C1P1 said that without Launchpad, 'we would have carried on saying it's a big growing important market, and we need to do something, we just don't know quite what.' (CF1).

5.7 Theoretical discussion

As mentioned in the literature review in Section 2.2.7, risk is a concern for start-up firms in home markets (March and Shapira, 1987) and business incubators have been acknowledged as enabling entrepreneurship where previously it was too costly or risky (Hackett and Dilts, 2004, Bøllingtoft and Ulhøi, 2005). Also, according to Bugliarello (1998) staying in a business incubator or being related to/located at a business incubator can also reduce an entrepreneur's perceived risk of a project because the business incubator represents a form of social capital.

Risk also influences a firm's appetite for entering foreign markets (Agarwal and Ramaswami, 1992) and firms are viewed as striving to keep risk at a low level (Johanson and Vahlne, 1977). As we saw in Section 2.3.6 of the literature review, Anderson and Gatignon (1986) observed that in entering foreign markets, firms will seek ways to lower costs and risk, normally at the expense of control, but ideally not at the expense of returns. The interview data in this research shows that business incubation is attractive to foreign market entrants owing to its low risk characteristics.

However, the findings of this research show that with business incubation, low risk does not have to come at the expense of control. Indeed business incubation can provide an element of control over costs and also over the deployment of a person on the ground. This in turn helps to reduce risk further. Burgel and Murray (2000) have observed that new entrants to a market can find themselves at the mercy of a distributor. This research shows that having control of one's own person in market can mitigate the risk of misinformation from distributors or agents, and also imposes further control on these and other intermediaries. It may be considered that such persons are operating 'on the boundary between a company and its market' and are valued for their ability 'to interpret information from inside the firm and from the market' (Johanson and Vahlne, 1977 p.29). This said, these locally engaged managers must be given full support or business incubation users will not fully benefit from control advantages.

An analysis of interview data has therefore shown that business incubation allows a firm or organisation to benefit from a low-risk and relatively high control foreign operation mode, prior to making a decision on a more permanent method of foreign market servicing. Following the rationale of Kogut and Kulatilaka (1994) as discussed in Section 2.3.6 above, it may be argued that the choice of business incubation as a method of foreign market entry is a rational 'option'

on a future, deeper involvement in a volatile or uncertain market. As an option, the cost of business incubation as a method of foreign market entry (in terms of rent, service fees and salary, for example) is easily estimated and can therefore be viewed as an 'investment' with a possible long-term 'pay off.' Furthermore, the engagement and development of a manager in the incubator may also be considered as an investment in a human resource (or organisational capability), which will allow the firm or organisation to respond quickly should new market opportunities or developments merit further commitment.

Conditions of uncertainty and opportunity in a foreign market figure highly in Kogut and Kulatilaka's (1994) analysis of the circumstances under which platforms are valuable. It may be argued that the flexibility of business incubation as a method of foreign market entry may be a counter to the uncertainty associated with new market entry. Kogut and Kulatilaka (1994) also suggest that an 'an investment with many potential applications is more valuable than one with a narrow set of opportunities' (p.60). In this regard, it can be observed that business incubation as a method of foreign market entry offers a broad range of next step opportunities, from progression to withdrawal. Given the cost implications and relationship commitments of initial mode choice, as well as the cost and reputational implications arising from any mode switching caused by initial entry mode regret, it can be argued that business incubation as a method of foreign market entry can bring both flexibility and a greater sense of security to the foreign market entry of the firm.

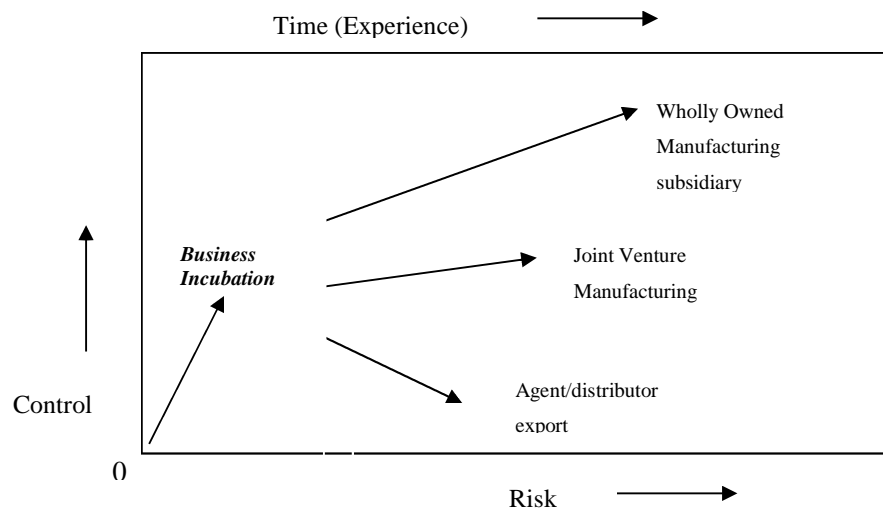
As pointed out in the literature review (Section 2.3.7), the method a firm selects to supply a foreign market has been acknowledged as a strategic decision of major importance (Agarwal and Ramaswami, 1992, Burgel and Murray, 2000). However, Aharoni (1966) points out that business people generally shy away from uncertainty. Buckley et al. (2007) have also observed that managers' final investment decisions can be highly idiosyncratic, and subject to biases that they might not be aware.

The analysis of interview data in this research has shown that within the complex decision-making environment of the firm, foreign market entry mode choice may turn out to be a compromise between those who avoid uncertainty and those who embrace it. Business incubation as a method of foreign market entry has been shown to be able to offer such a compromise, in that it provides a means of bringing risk and uncertainty within acceptable boundaries (by limiting the cost of potential failure), whilst at the same time it provides a low

risk platform for further investigation, network building and information gathering. Such characteristics provide a basis for actioning a foreign market entry decision. The research findings show, therefore, that the very availability of business incubation as a foreign market entry method can be, for some incubatees, a tipping factor in deciding to proceed. Indeed the findings have shown that the availability of business incubation can serve as a catalyst to enter a foreign market that may otherwise be seen as being too costly or too risky. According to Buckley et al. (2007) 'the domain of the management decision-maker is an underutilised domain in which to discover, validate and test existing and new international business theories and phenomena' (p.1087). An examination of the decision-making surrounding entry into the Launchpad scheme has been useful in further understanding business incubation as a method of foreign market entry.

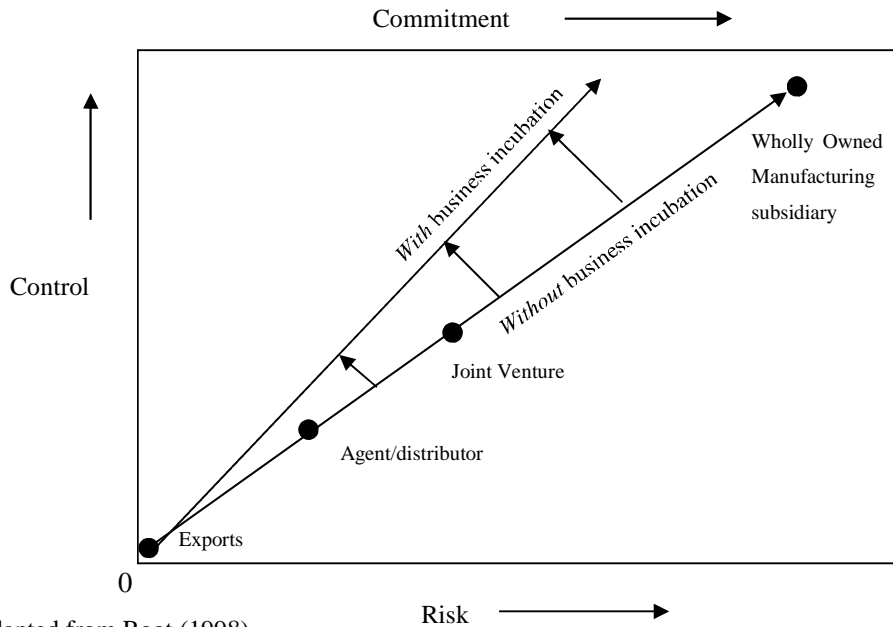
Building on findings surrounding control and risk reported in this chapter, the framework devised by Root (1998) is adapted in Figure 5.1 to propose that business incubation as a method of foreign market entry may be positioned as a high control, low risk option on future development. Strategically, business incubation can therefore be considered as a platform, allowing a company to 'put a toe in the water' or an 'ear to the ground' (Young et al., 1989 p.24). Once the firm or organisation becomes more experienced, it may choose operation modes which provide greater control (and bring greater risk) over foreign market operations, such as joint venture or wholly owned subsidiary. From the international business incubator, the firm or organisation also has the flexibility to switch back to a low risk agent or distributor export mode, or even withdraw from the market.

Figure 5.1: Market entry options via business incubation



Source: Adapted from Root (1998).

Figure 5.2: Business incubation, risk/control and a firm's market entry decision



Source: Adapted from Root (1998).

However, more than this, owing to its role in reducing risk and increasing control, business incubation may also be shown to give rise to an overall decrease in the costs of commitment for the firm, shown above in Figure 5.2 by the risk/control line being tilted upwards. This reduction becomes stronger for those foreign market entry modes with a higher order of commitment. This illustrates how the availability and attributes of an international business incubator can make firms more likely to enter or engage with a foreign market, and shows how the adoption of business incubation as a mode of foreign market entry can be a ‘game changer’ in the internationalization of the firm.

5.8 Chapter summary

In this chapter, an analysis of the case study data followed by a theoretical discussion has demonstrated business incubation as a low risk, relatively high control method of foreign market entry which can provide a firm with a platform to consider a further deeper commitment in a foreign market. Moreover, in making foreign market entry less costly and less risky, and by promising more control, a firm's commitment to the market becomes more likely.

From an analysis of the case study data, it is also possible to answer sub-research question 1: ‘Why do firms and organisations choose to use international business incubators to help their foreign market entry?’ by listing in rank order the business incubation attributes held important by incubatees. This can be seen below in Table 5.24.

Table 5.24: Why firms and organisations choose international business incubators

Rank	Business incubation attribute	Support	No. of Cases
1	Low risk	C1, C2, C3, C4, C5, C7, C8, C9, C10, C11, C12, C13, C14, C15, C16, C18, C19, C20, C22, C23	20
2	Low cost	C1 C2, C3, C4, C5 C7, C8, C12, C15, C16, C20, C23	12
3	Immediacy of entry	C1, C3, C5, C7, C14, C15, C16, C18, C22, C23	10
4	High Control	C1, C5, C6, C8, C9, C14, C16, C21, C24	9

Low risk ranked highest amongst the reasons why case study firms or organisations chose the Launchpad business incubation scheme, followed by low cost, immediate entry and high control.

In the next chapter, the business incubation process experienced by incubatees in the Launchpad scheme will be investigated and case study data analysed from the perspective of knowledge accumulation, network building and support from the business incubator.

Chapter 6: International business incubator benefits

6.1 Chapter introduction

In the last chapter the drivers for firms and organisations to select business incubation as a method for foreign market entry were explored. In this chapter, the relevance and usefulness of two research themes, namely knowledge (Section 6.2) and networks (Section 6.3), are viewed within the context of the business incubation process, in order to understand the benefits experienced by the firm or organisation during its time in the international business incubator. These were labelled as Research Themes 4 and 5 in Section 2.4 and originate mainly from the internationalisation process literature. For completeness, the role of business incubator services and their influence on the business incubation process are also considered (Section 6.4).

Overall the findings show how knowledge accumulation and network building during business incubation, facilitated by both the incubatee and the business incubator, are key benefits which prepare the firm or organisation to proceed to a deeper market commitment outside the incubator.

6.2 Knowledge

In this section, the focus is placed upon an incubatee's learning and knowledge accumulation throughout the business incubation process. Three kinds of knowledge emerged from the data: (i) market knowledge transferred to the firm or organisation by the locally-engaged manager (Section 6.2.2), (ii) knowledge generated through peer-to-peer interactions between incubatee managers (Section 6.2.3), and (iii) cross-firm familiarisation with the market (Section 6.2.4). Section 6.4.5 also shows how knowledge is accumulated gradually during business incubation. A summary of knowledge findings is provided in Section 6.2.6.

6.2.1 Display of data: knowledge accumulation

The method used for data reporting was explained above in Section 3.6.3. In this section, assertions made about the link between business incubation and knowledge accumulation are referenced directly to specific quotations displayed in tabular form. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories. The quotation codes in Section 6.2 are: knowledge facilitated by the Chinese manager (KM),

presented in Tables 6.1 to 6.4; knowledge accumulated through peer-to-peer interactions (KP), presented in Tables 6.6 to 6.7; cross-firm familiarisation (FF), presented in Tables 6.9 to 6.12; and knowledge building (KB), presented in Table 6.14.

6.2.2 Market knowledge facilitated by the local manager

Twenty four informants from 15 incubatees (see Table 6.5) indicated that having a member of staff in-market who is tasked with gathering market intelligence is a key factor in knowledge accumulation. Sources for such intelligence may include customers, agents or distributors (1, 2). According to three informants, the incubatee benefited from the Chinese employee being able find out ‘the real situation’ about distributor behaviour (3), identifying distributor strengths and weaknesses (4), and validating distributor information about the market (5). Such a knowledge facilitating role also builds on the control factors identified above, in Section 5.4.2, where having control over a person on the ground was viewed as an important factor by incubatees.

Table 6.1: Supporting quotations for knowledge from the local manager (1)

Code	Supporting Quotation
KM1	‘We’ve used C1P3, our employee under Launchpad, to go and talk to customers and agents and other companies that supply to our end users and have just reconfirmed how big the opportunity is.... He’s been able to get far more in depth knowledge through his contacts, just being on the ground for 6 months, than we have been able to do using desk research from here.’ C1P1
KM2	‘Yes there is a big difference, because now we have direct contact through our person on the ground with the various institutes....we have good contacts in the petroleum industry with the various government institutes and we have a better understanding of what customers require and how it works.’ C20P1
KM3	‘We’d always assumed that our distributors were selling directly to the end user, but we’ve since discovered that that’s not the case, you know, it goes through several sub-distributors. And we discovered about competitors’ equipment and how they are selling that, prices in China. So it’s a far cry from where we were let’s say five years ago, when we really didn’t have an understanding at all and were totally reliant on distributors and what they were telling us. So yes, I think in summary we have quite a lot more data to work with than we had before. And better contacts as well.’ C23P1
KM4	‘It’s helped contribute to an understanding of the ‘strengths and weaknesses’ of distributors and to getting a truer picture of what’s going on in the market, overcoming the problem of the distributor editing the market information that’s going through to the company and spinning that information. Having the ability to check independently, and to understand independently of what you’ve been told by the distributor, with people on the ground, definitely makes a difference in terms of understanding the market as a whole, and where those distributors sit in that market.’ C2P1.
KM5	‘When you deal through agents and distributors, they do tend to tell you what they think you want to hear, rather than the truth all the time. And it gives you a very skewed, perhaps, picture of how business is conducted there. And it turns out that the way business is conducted, certainly in our market segment, is a good deal more complex.’ C8P1

The Chinese interviewees in particular emphasised their own roles in facilitating an understanding about the ‘true situation’ in China. One Chinese interviewee acknowledged that staff on the UK side of the firm or organisation might find the real situation different to what they expected (6) and two others that potential Chinese customers often prefer to communicate with other Chinese people (7, 8). To the Chinese interviewees, having a Chinese person engaged locally was regarded as saving time and expense for the firm, as well as being more effective compared to a foreign staff member trying to accumulate the same kind of market knowledge (9). This distinction between how business is actually done, as opposed to how the firm thought it might be done was only recognised by one UK interviewee (10).

Table 6.2: Supporting quotations for knowledge from the local manager (2)

Code	Supporting Quotation
KM6	‘[The Chinese market] is challenging and quite different compared to European and American markets. So it helps them to see the real market which can be quite different to what they read in the local newspapers.’ C2P2
KM7	‘You know sometimes, when Chinese people communicate with Chinese people [they] can know exactly what they are thinking. I can transfer this exact information to my company.’ C4P3
KM8	‘[Our agents tell us], when <i>laowai</i> (the foreigner) is here, the thing they are trying to sell us is not something that the Chinese parents are looking for. And when <i>you</i> [the Chinese manager] comes here, and you cut it short, and the things you are telling us, the Chinese parents are actually interested.’ C3P2
KM9	‘And if you send an English guy to come to China, maybe they need to spend more time and money to know about the market, do research and everything.’ C5P3
KM10	‘It’s been invaluable quite frankly, in gaining knowledge about how business is done, as opposed to how we thought business was done.’ C8P1

Knowledge about China via a local employee also extends to the regulatory environment (11) and also to how the business environment actually operates (12), including business culture, negotiating (13), and dealing with partners (14). Being able to access information *locally* was seen as being important by one incubatee (15). For another, the arrangement was even acknowledged as speeding up the accumulation of knowledge (16).

Table 6.3: Supporting quotations for knowledge from the local manager (3)

Code	Supporting Quotation
KM11	‘I think from the point of view of [Case Study 23] in the UK, they find that immediately [on joining Launchpad] they have some people, I mean me, they have some people really familiar with import export regulations, all the shipping process, all the practice,...it's all about localisation. Because for foreigners it's really difficult to understand what the regulations are in China, why you need to do this, why you need to do that. But they find a local person, find me, and I have the working experience in this industry so I can give very prompt advice, suggestions and explanations of all the shipping issues.’ C23P2

KM12	'[C1P3] makes it just so much easier to understand. And lots of discussions with [C1P3] have been about how the Chinese do things, how Chinese institutions work and how the Chinese people look at things, how they might feel about something or other. So it is very much about helping us to understand China and I think you need someone who is Chinese, lives in China and has a good understanding of how business works in China, but who can also relate to us and communicate with us easily and that's really, really important..... we know an awful lot more now, that we could not possibly have done without having Launchpad.' C1P2
KM13	'[The increase in knowledge] is just immense. The difference is just incredible. I suppose there are so many different levels to it. There is the business culture - the courtesies, the protocols, the negotiating tactics. Then of course you've got the completely different legal system that you're dealing with. You've got the risks you run with intellectual property that you've got to be very aware of.' C9P1
KM14	'Over the past 3 years, I work in CBBC, I think both myself and my boss Tom and my colleagues in the UK learned a lot about China. We have learned how to deal with China, how to do business with Chinese partners.' C9P2
KM15	'I think that's the advantage of Launchpad, in the sense that it gives you the opportunity to access information locally, not at a huge distance away. Access information locally, visit, talk to people locally.' C2P1
KM16	'I think the key advantage is it provides a quicker way to understand the market, without the need to get more people, get additional office space. I think that's the major thing.' C12P2

What emerges from the data is that the person engaged locally is *key* to knowledge accumulation and business development (17, 18, 19). However, while business incubation provides the platform for this kind of knowledge accumulation, a firm or organisation needs the right person to exploit it (20), with the right technical knowledge (21). Furthermore, the locally-engaged manager needs to be supported adequately from the UK (22, 23, 24).

Table 6.4: Supporting quotations for knowledge from the local manager (4)

Code	Supporting Quotation
KM17	C17P1: '[CBBC] did get us a lot of people to interview of quite different skill types and I think that was useful to see the sorts of people that were available. And this helped us make the right decision when the right person came along.' Interviewer: 'I suppose the calibre of the person selected for this kind of role is key, isn't it?' C17P1: 'Yes, absolutely.'
KM18	'[C11P2] has been the person who has helped develop all the market knowledge, the market contacts.' C11P1
KM19	'Having the first individual as a British graduate, a journalism degree, excellent English, very articulate, good strategic mind. The other person we have – ex-British Council, who knew the sector very well, quite used to working up press and contacts and things like that. We were exceptionally fortunate.' C22P1
KM20	'I think a huge part of it depends on the quality of the member of staff that you take on.' C2P1
KM21	'If you don't understand technology, you cannot communicate with the customer, because they are experts, they do this business. [When] we sell the product, every time we should talk with the customer deeply.' C8P2

<i>Table 6.4 Cont.</i>	
KM22	'So I think Launchpad gives you an opportunity, but you need to exploit it. You need the right person on the ground in Launchpad and the right support from the company to exploit it.' C2P1
KM23	'Yes if you're going to have someone over there, you've got to keep them involved, informed, motivated, driven, challenged, where you either bring him over here....but there is no point in him spending a lot of time over here. We brought him over here for some initial training.' C1P1
KM24	'And actually, as far as the learning curve was concerned, to be honest a big part of us getting up the learning curve and me getting up the learning curve was once we had employed someone through Launchpad, I went out to China and I spent 9 weeks there with him, researching and visiting possible suppliers.' C18P1

In drilling further down into the data, Table 6.5 shows that SMEs in particular acknowledged the role of the Chinese manager in generating knowledge and market intelligence.

Table 6.5: Knowledge accumulation and the role of the local manager

Business incubation attribute	Support	No. of Cases
Knowledge facilitated by the Chinese manager	<u>C1P1, C1P2, C2P1, C2P2, C3P2, C4P2, C4P3, C5P1, C5P3, C7P1, C7P2, C8P1, C8P2, C9P1, C9P2, C11P1, C12P2, C16P1, C18P1, C20P1, C20P2, C21P2, C23P1, C23P2</u>	15
Of which: SMEs	C1, C2, C4, C5, C7, C8, C9, C11, C12, C16, C20, C23	12

6.2.3 Knowledge acquired through peer-to-peer incubatee interactions

Eighteen informants (of which 16 were Chinese) from sixteen incubatee firms and organisations recognised that a vital part of knowledge accumulation arose from interactions between incubatees within the incubator. For two informants, the learning experience was compared to that of being in a school (1) or in different departments of the same company (2). For five informants, shared knowledge and experience extended to setting up an enterprise, how to run a business, recruitment issues, marketing and branding, finding suppliers and everyday practical requirements, as well as the opportunity to brainstorm problems (3,4,5,6,7). This exchange of information and experience between different Launchpad employees was acknowledged as not only valuable, but also advantageous to business development (7, 8). Some of this exchange took place over lunch, dinner or on social occasions (9,10,11), and this led to further joint visits to professional advisers to discuss, for example, company set up (12,13). In one case, an experienced Chinese employee was prepared to give advice to a newcomer (14). The disadvantage of sharing

space with incubatees in the same sector (in this case, education) was mentioned by three informants from two universities (15), and for one of these, concern about confidentiality was commented on by both the Chinese and UK side of the dyad (16, 17).

Table 6.6: Supporting quotations for peer-to-peer knowledge (1)

Code	Supporting Quotation
KP1	'I think it's like a school, you know. My neighbour, I think he is working for another UK company doing the steel - so we're chatting a lot you know and we learn from each other. Although the business, you know, we are not overlapping. It's part of experience sharing, you know. We are learning.' C18P2
KP2	'We do share experience and knowledge from both the [Launchpad] managers and staff and CBBC, so we share this with each other. Sometimes we're chatting. It's like a big company with various different departments. You are selling different products and services. You are like one big branch of CBBC.' C7P2
KP3	'I think it's very good to work in that environment because different small UK companies have Launchpad managers and so it is quite a diversified industry working atmosphere..... What I mean is because you can also learn from other Launchpad managers how they can manage their business and start their companies in China as well. So we can learn from each other, so that's very good.' C16P2
KP4	'We work relatively independently, because you know we are in different firms, you know, different companies and different fields and most of them are from universities. But I think that's not a bad thing, because sometimes we find things in common, like we exchange experience about the marketing method. Even though they are universities and we are instruments, we still have to do marketing and branding and things like that. Also some experience or some feelings about work and life. We can share everything I think, that's good. It's like, something like colleagues - it's not so different.' C20P2
KP5	'[Being amongst other LP companies] it's quite helpful, we will share resource... there are different Launchpad people, they also can also give you different kinds of support as well... [we can] share things with other LP staff, like industrial association, or translators....or quite practical things.' C15P3
KP6	'Yes, I can learn from another project manager, David. I think I can share more experience with him because we are both sourcing managers. Sometimes we can share some supplier data. Because he also has a lot of experience in the sourcing area. I mean his previous job, was doing some sourcing work. So sometimes we can share suppliers.' C4P3
KP7	'Even in CBBC where we're working with different projects, we share lots of things, because you have the same challenges of how to set up a Representative Office in China, how to recruit a person or something like that. So you have very common challenges which you can share at brainstorming. I think this is a very big value from my personal point of view. It really helped me and also helped [Case Study 12] to see more growth because of these communications with the other Launchpad managers and project managers.' C12P2
KP8	'Although maybe we were in different industries, but we still exchange information and sometimes we teach each other how to do things correctly, because everyone has their own expertise. So it's really good to have, how do you say, a close working group. But everyone is an expert in their industry, but we are willing to share our knowledge and expertise, so the working style of Launchpad is really helpful.' C23P2
KP9	'Of course, we may have a chance to have lunch together to talk to each other to get some information to know how to do business in China, to share experiences, these kinds of things.' C21P2

<i>Table 6.6 Cont.</i>	
KP10	'I did get benefit by talking with other companies. It's like personal. "Neighbour, what are you doing?" And he told me [I'm] in some other sector. During the lunch and dinner, we talk, exchange about the business behaviour. So what I'm suggesting is that with the CBBC companies, among the individual companies, the best opportunity I would say, experience, is by learning from each other.' C19P2
KP11	'Communicating with other project managers from other companies...yes we did make a lot of exchange of experiences. How to do the business in China, how to carry the business activity in China. Yes, we have a lot of parties over the past two years. We exchange our experience and knowledge. Yes that's a really big help for me. It is also a big help for others to exchange the knowledge and experience.' C9P2
KP12	'I think it's helpful because another two companies, they are also preparing to set up legal entities. So sometimes we will have coffee or go out to have lunch together so we can exchange, for example, which law firm we use, or which accounting company is good. So I think this kind of information exchange is quite helpful. Like it can be a short cut for a company if they can save the time to do the same research investigation things. So from this point it's good, yes.' C2P2
KP13	'In so far as the present Launchpads work in different industries it is not helpful, but knowledge about business issues [such as setting up] can be shared, and for example, there can be joint visits to professional advisers.' C1P3
KP14	'Because some of my neighbours sit around me, so they sometimes come and see my brochures and see my gift packages and they will ask me some questions. I think it's mostly about design. And also they give to me their brochures. My neighbour is a new girl. She is trying to sell student accommodation, so she gives me the brochures and I think, ah it's not that interesting, it's not that attractive, actually. So you need to put some nice pictures and how to reverse the graphic design. I just give some advice.... And sometimes we will have a private discussion about how to develop business.' C11P2
KP15	'I think it's good to have the opportunity to communicate with other Launchpads in terms of alumni relations and also the view about the Chinese education market. I think in terms of disadvantages, there could potentially be some kind of competition between each other, but for me, I don't feel that very sharply because I don't do student recruitment, so not a lot of overlap with other Launchpad.' C22P2
KP16	'At the same time we are competitors....But one of the things personally I don't like, is we're all in the same office, and when I am on the phone, the next door, I mean the person next door can hear me.' C3P2
KP17	'They all kind of have to be a bit secretive, all the different desks. So you know there's a lot of going outside and talking in the corridor, because they don't want anybody else to overhear. And that is good, because people are competing. But there's some benefits to them having that cross-fertilisation occasionally. But they are all quite cagey with each another I think, which is good.' C3P1

However, overall, the atmosphere at Launchpad was regarded as being conducive to information sharing. It created a social, as well as a working space (18, 19, 20), such that the family atmosphere was somewhat missed after the Launchpad arrangement ended (21) and contact amongst former Launchpads was maintained 'just like class mates' (22).

Table 6.7: Supporting quotations for peer-to-peer knowledge (2)

Code	Supporting Quotation
KP18	'Also, it's a good working environment, rather than you working alone and still isolated.' C15P3
KP19	'When I went back [to China from UK], a lot of my friends got married, they settled down, so even though we keep in touch it was kind of like, you know, you haven't socialised for a long time. So I need more friends. So I am grateful to have quite good friends with other Launchpads from British universities.' C3P2
KP20	'Also some experience or some feelings about work and life, we can share everything. I think that's good. It's like, something like colleagues - it's not so different.' C20P2
KP21	'If there is anything missing, it's about the family atmosphere in Launchpad. That's a real thing that I've been missing after I left CBBC.' C23P2
KP22	'We still keep in touch [with former Launchpads], which is really good because they can provide more insight and you can share all the challenges and it's really beneficial. Just like class mates.' C12P2

Learning via incubatee interactions was only fully recognised by one UK interviewee who summed up this source of knowledge accumulation thus:

“The other, I would say, slight advantage was, there were of course half a dozen other UK companies in the same office that were part of Launchpad. And even though they were in different industries, everyone was running into the same kinds of problems about how to get here, how to set up, what about import tax, what about this, you know. So everybody was facing similar problems. So there was also a nice group of compatriots for [C19P2] to circulate amongst and for me when I came to visit, to circulate amongst. And so it was very fertile ground to develop in. And then after a year, we decided we would set up our own Rep Office and of course a lot of the other guys were also looking at that and other people that had been in Launchpad had already jumped out and done that. So there was also a readily available source of advice about what you have to do to set up your own Rep Office and stuff like that.” KP23/C19P1

In drilling further down into the data, Table 6.8 shows that SMEs in particular acknowledged the role of the peer-to-peer incubatee interactions for generating knowledge and market intelligence. However, with the exception of informants C3P1 and C19P1, this business incubation attribute was recognised solely by the locally-engaged Chinese managers.

Table 6.8: Knowledge accumulation and peer-to-peer interactions

Business incubation attribute	Support	No. of Cases
Knowledge facilitated through peer-to-peer incubatee interactions	C1P3; C2P2; C3P1; C3P2; C4P3; C7P2; C9P2; C11P2; C12P2; C15P3; C16P2; C18P2; C19P1; C19P2; C20P2; C21P2; C22P2; C23P2	16
Of which: SMEs	C1, C2, C4, C7, C9, C11, C12, C15, C16, C19, C20, C23	12

6.2.4 Cross-firm familiarisation with the foreign market

Analysis of the data shows that for 21 informants within 13 incubatees (see Table 6.13), business incubation also provided the opportunity for a firm or organisation's gradual familiarisation with the market. It was found that using the scheme gave more staff members exposure to market (1, 2), for example through more frequent travel. In turn, this gave them more awareness (3) and more confidence (4) about the market.

Table 6.9: Supporting quotations for cross-firm familiarisation (1)

Code	Supporting Quotation
FF1	'Through him being there, I have made more trips and other people have made more trips, which has given more people exposure to the market.' C1P1
FF2	'Because we had the Launchpad person, any of our directors who were visiting the market, they were seeing the same face and he understood the kind of language of our company, in terms of what we're about, in terms of the product and all that kind of thing. So it was certainly useful having that link.' C21P1
FF3	'It's contributed to raising awareness of the market in our company.' C14P1
FF4	'It's given certain people, I'm sure, more confidence about operating in other markets which they've been scared about. It has helped us open our eyes a bit to cultures in the Far East as well. We've learned quite a bit about business culture in the Far East, having [C23P2] on board and having a team in Shanghai, which we would have struggled to get from elsewhere. So yes, I think there's been quite a lot of organisational learning out of it, well beyond just China.' C23P1

This cross-firm familiarisation was also commented on by the Chinese interviewees, who viewed the firm as coming from a zero knowledge base (5) and sometimes having misconceptions about China (6). Chinese employees felt they had an important role to play in helping UK staff members understand business practices that would prove vital to later success, such as aspects of Chinese culture (7, 8), business processes (9), packaging and design (10), and how to build effective partnerships (11, 12).

Table 6.10: Supporting quotations for cross-firm familiarisation (2)

Code	Supporting Quotation
FF5	'That was the first time they came to China. Before that, they've no idea about China. Maybe they think China is a poor country. But after they visited China they think in some places, like in Shanghai, it's even better than in the UK. So they are much more confident about the Chinese market. And also some of our sales people came to China as well. After they visit China, they like China very much as well. Also I did some presentation. After I finished the business plan I went to the UK and gave a presentation to all of our sales managers. And they have a much better idea about the Chinese market now.' C1P3
FF6	'I think it's better for them to come to China to know the country. Because I think for them, except for Roger (my boss), our engineers and chairman are first timers to come to China, which is quite different to what they read in the newspapers or in some official reports. It's different... It takes time to let my colleagues in the UK understand China.' C2P2
FF7	'I look after my British colleagues when they come over to China and especially the first timers. So I make sure they have a good experience, and make sure all the things they are doing also match with our Chinese culture.' C3P2
FF8	'You know last November just two months after I joined this company I went to [Case Study 4] UK. I think they also learned about how Chinese people are working. I think it's maybe a different style or way for them. So face to face can help them to learn more about China. Also Alan and Ben they also came to China two times already, I mean for Alan two times and for Ben the first time. We visited different suppliers together. So I think that during this trip, I also introduced some Chinese business and culture to them. And they also learned with their own eyes. So visits can help.' C4P3
FF9	'And they have to know the China speed. It's much quicker than in the UK, so sometimes if I push too much, I can use this excuse. I say, OK you should understand it's different.' C2P2
FF10	'They really change. Just like design, like show room design, they really listen and step by step change the packaging and also the brochures.' C11P2
FF11	'Over the past 3 years, I work in CBBC, I think both myself and my boss Tom and my colleagues in the UK learned a lot about China. We have learned how to deal with China, how to do business with Chinese partners.' C9P2
FF12	'The response we have from colleagues in C22 is quite positive about this role. We do our market intelligence regularly. We provide information about Chinese culture, about the Chinese education market, about our partner activity in China regularly. We feed back to our colleagues in the UK, so that they know more about our Chinese partners and the Chinese market. So basically the responses that we receive are quite positive about this role.' C22P2

Through everyday contact between the firm and its Chinese employee, the data reveal that the firm is able to become more familiar with key business issues (13). There is now a person to go to in case of questions or problems (14), and that person can be acknowledged as an integral part of a team (15), enabling the firm to operate more effectively or profitably in China (16). This can provide the sense that China has something to offer (17) and that business in the market is feasible and real (18).

Table 6.11: Supporting quotations for cross-firm familiarisation (3)

Code	Supporting Quotation
FF13	'Actually I worked with everyone in our UK and US offices. So every day I answer questions from so many people, so many colleagues.' C23P2
FF14	'You know it's now a case where if we have an issue or a problem or we have some ideas, we have a contact we can go to. Very often it would be a case of, well who was in China last, oh yes [C20P1]....you know, can you help us with this, or whatever it happens to be. But now we do have someone established. They've been across to our offices in the UK. They know who the people are, and you know, it's helped them to become....have a better understanding I think of the Chinese market and that goes across the company from research and development, production, to finance and even sales order processing. All these areas have been helped by having [C20P2] on the ground.' C20P1
FF15	'Skype up-dates every fortnight or so keep us in regular contact, and e-mail contacts every day. It won't be a surprise for you to hear that the kind of relationship we have vis á vis that presence is with our project managers [who] appear on the organogram for this office. They are cc'd regularly into correspondence. They get all the notes from the office meetings that we have. You know, so they feel very much part of the international office family, as opposed to people who are employed by a third party who just happen to be passing by, you know. And that for us was very important - to try to make them feel an integral part at the outset.' C22P1
FF16	'Just by taking people there, and since then I've taken a number of sales and projects management colleagues there....by helping them to form working relationships with [C18P2] and his team, and our suppliers, very importantly, that has reaped huge benefits..... Through taking my colleagues to China and them developing their understanding of the great team we've got there and the systems and the processes and the structures and the suppliers.' C18P1
FF17	'UK colleagues became more convinced, over time, that China had something to offer, after they became familiar with the capability and equipment level of the Chinese factories.' C18P2
FF18	'Because they were having to ship product over and, with customers giving them different technical considerations, there was always that talking between the two, so Launchpad definitely for us as a business was just about the start of China in a serious way.....Once we got Launchpad, there was the feeling that there was a business, there was an entity which was our own company.' C16P1

For one informant, personal interactions between the Chinese employee and UK staff members made the prospect of an investment in China appear more 'doable' (19). For three informants (C4P1, C4P2 and C9P1) within two incubatees, business incubation provided an opportunity, or a breathing space, to educate staff, to dispel myths and to ease fears amongst staff about the implications of market entry for the future of the firm or for job security (20, 21, 22).

Table 6.12: Supporting quotations for cross-firm familiarisation (4)

Code	Supporting Quotation
FF19	'More people have gone, we've done a couple of exhibitions, and equally [C1P3] has been here and people have spent time with him. So those are the group of people that would be involved and I suspect would have less resistance to being involved because they've seen [what they have seen].....I think this kind of interaction is a good one. It does make the whole experience feel more 'doable'. You can actually start to picture in your mind what it would look like for the company and for you.' C1P2

<i>Table 6.12 Cont.</i>	
FF20	‘We had our Launchpad person over last week.....the idea of that is to try to integrate the Launchpad into our company as quickly as we can, and just the process of doing that has been really good [because]... it was changing the company’s attitude towards China, via Launchpad. So we’ve usedthe Launchpad thing to educate the staff.....We wanted to dispel any myths that we’re spending loads of money in China without any benefit... [and now] we’ve actually got the staff on side.’ C4P1
FF21	‘Every month we have a staff briefing... And you can almost see their eyes glazing over when we talked about China.... They all thought we are daft. And you had people like Pauline... (buyer and sourcing employee in UK)She thought we were daft...If the buyer is negative about buying in China, then you’ve got a bit of a problem frankly. ... I think she met [C4P3]... And she got on really well with her. And she got on well with Nancy [the other Chinese contact] as well. We brought [C4P3] across here for a week. Now [C4P3] is 30 years old, English is obviously her second language, and you would think that she had worked for us for a decade. She was straight into the factory, chatting to everybody, walking around, chatting to everybody, making herself at home, demanding knowledge all the time as it were, just soaking it up. But all the staff really enjoyed talking to her to and got on with her. And suddenly you know China just didn’t become this distant country, which we just talked about, you know. You had a living, breathing example walking around the place.....She was only with us for five nights or something like that.....she was with different staff members or groups. And she was telling them about China and what she did. And there’s now regular emails going backwards and forwards that I know nothing about at times. And they’ll say [C4P3]’s just been on, just to let me know that this is happening, or that is happening. So she’s very much part of the company. I think it’s brilliant.’ C4P2
FF22	‘We have kind of integrated [C9P2] quite well. It’s been a two way street, because he’s visited here about three times now....we see C9P2 as being a very important part of the future of [Case Study 9]. We’ve got a very good reputation for people working here for many years and [C9P2] seems very comfortable with the culture of this organisation. And when he comes here, he kind of demystifies quite a bit of the Chinese culture for the people here and makes it more real for them and in some ways more acceptable. Because I think there is prejudice out there in the market place, and amongst people... ‘Oh, all our jobs are being shipped over to China’ and things like that. So he helps, I think, in those terms.’ C9P1

In drilling further down into the data, Table 6.13 shows that out of the thirteen incubatee firms and organisations that acknowledged the value of business incubation for generating market knowledge and understanding across the firm or organisation as a whole, eight were SMEs.

Table 6.13: Knowledge acquired across the firm or organisation

Business incubation attribute	Support	No. of Cases
Knowledge across the firm or organisation	<u>C1P1; C1P2; C1P3; C2P2; C3P2; C4P1; C4P2; C4P3; C9P1; C9P2; C11P2; C14P1; C16P1; C18P1; C18P2; C20P1; C21P1; C22P1; C22P2; C23P1; C23P2;</u>	13
Of which: SMEs	C1, C2, C4, C9, C11, C16, C20, C23	8

6.2.5 Knowledge building

In this section, gradual knowledge accumulation during the business incubation period is considered. Overall, the Launchpad business incubation scheme was viewed as an effective means for the incubatee to learn how to engage with the market more effectively (1) and how to get to know it better (2,3,4). Apart from engaging with domestic players, this platform also enabled firms to engage with other foreign firms that had already set up in China, helping them begin ‘to understand the whole landscape and process of setting up a business’(5), and equipping them with better information on which to make investment decisions (6), for example on operation costs (7). Such knowledge accumulation helped to build momentum for full market entry (8, 9). One informant acknowledged that there were different stages of knowledge, with the role of the scheme changing as the company became more immersed into the opportunity (10). An important point for another informant was that this arrangement allowed it to concentrate solely on learning and on business development rather than become ‘mired’ in the bureaucracy of setting up, making for a more efficient move up the learning curve (11).

Table 6.14: Supporting quotations for knowledge building

Code	Supporting Quotation
KB1	‘Where we are slightly further on than we were is based on, shall we say, qualitative information on the ground about exactly how we might engage with the market.’ C5P1
KB2	‘It’s maybe much easier to access the China market, to know better about the China market, easier than operating or setting up a branch office.’ C20P2
KB3	‘And it was really a market knowledge, market intelligence gathering function that we had. And also helping with some of the discussions that we’ve had in the past with customers and end users and people who have approached us for JV involvement as well.’ C20P1
KB4	‘I mean the idea is to learn about how things work in China, and we are learning, we have learned a heck of a lot.’ C4P2
KB5	‘The Launchpad scheme at CBBC also provided some really useful links to other companies in China. So we could just go and talk to some people in China who were already set up there, who were, you know, were international businesses operating in China and start to understand the whole landscape and process of setting up a business and so on.’ C23P1
KB6	‘By engaging in the programme, we have a quantifiable, measurable course of action.....This way at least we are producing some deliverable, measurable results, all be it in terms of market insight.’ C5P1
KB7	‘There has been a greater understanding of how to structure and set up a new entity, as well as the operation costs [rents, salaries] and better information in order to make decisions upon.’ C1P1
KB8	‘So, at an early stage, yes, I have to say, we spent some time in learning this market of course. But later on, of course, we understand, it's a very good opportunity here for [Case Study 7] to get involved in this market and do business here.’ C7P2

<i>Table 6.14 Cont.</i>	
KB9	'I think the Launchpad was a good incubator. You can start with a person for a short time and then get to know the market well and then make a decision how to do it.' C21P2
KB10	'There were different stages of knowledge (i) enabling the trials (ii) warehousing, company set-up and recruitment (iii) building sales - the function of the Launchpad was changing to a certain extent as the company became more immersed into the opportunity.' C16P1
KB11	'A big part of us getting up the learning curve and me getting up the learning curve was once we had employed someone through Launchpad, I went out to China and I spent 9 weeks there with him, researching and visiting possible suppliers. So I suppose actually, being sort of circumspect about it, had we jumped in at the deep end and gone for a rep office on day one, I and my colleagues would probably have been too mired in the bureaucracy of setting up the RO [Representative Office] instead of actually getting out there and looking at suppliers and vetting them and developing relationships with them.... it allowed us to get on with the day job and worry about the set-up of our own operation later on.' C18P1

6.2.6 Summary of knowledge findings

The data showed that knowledge accumulation during business incubation in a foreign market entry setting originates from three sources. Firstly (see Section 6.2.2), knowledge is accumulated via the flow of information, about a variety of issues (e.g. distributor behaviour, business practices, the regulatory environment) from the manager on the ground. However, the quality of this knowledge is highly dependent on the capabilities and qualities of that person, as well as the support provided from the home country. Box 6.1 highlights a case where knowledge accumulation from the local manager has been important.

Box 6.1: Knowledge accumulation - the importance of the local manager

For Case Study 1, a drying equipment manufacturer for the food industry, having a person on the ground made a significant difference to knowledge accumulation. C1P1 said 'we used our employee under Launchpad to go to talk to customers and agents and just re-confirmed how big the opportunity is. He's been able to get far more in depth knowledge through his contacts, just being on the ground for 6 months, than we have been able to do using desk research from here' (KM1). A second UK decision-maker said that, '[C1P3] makes it so much easier to understand. And lots of discussions with [C1P3] have been about how the Chinese do things, how Chinese institutions work and how the Chinese people look at things, how they might feel about something or otherwe know an awful lot more now, that we could not possibly have done without having Launchpad.' (KM12)

Secondly (see Section 6.2.3), the data showed that business incubation can facilitate knowledge sharing and problem solving amongst incubatees about a variety of issues, such as setting up and operating in China or finding information. This business incubation attribute was recognised more by locally-engaged managers than by UK managers. Box 6.2 highlights a case study where incubatee interactions made an important contribution to knowledge accumulation.

Box 6.2: Knowledge accumulation - incubatee interactions

Case Study 19 supplies equipment to the power generation sector. The UK decision-maker (C19P1) recognised that other Launchpad users, even though not in the same industries, were running into the same problems and that ‘there was a nice group of compatriots for [the local manager] to circulate amongst. There was a ready source of advice about what you have to do about setting up your own Rep Office’ (KP23). The Chinese manager, C19P2 agreed. ‘I did get benefit from talking with the other companies. It's like personal. “Neighbour, what are you doing?” And he told me [I'm] in some other sector. During the lunch and dinner, we talk, exchange about the business behaviour. So what I'm suggesting is that with the CBBC companies, amongst the individual companies, the best opportunity, I would say, experience, is by learning from each other.’ (KP10)

Thirdly (see Section 6.3.4), the data shows that through the broader interactions between the locally-engaged manager and staff members at home, the firm or organisation as a whole can become gradually more familiar with and confident about the foreign market. The incubatee can benefit from a gradual immersion into the market, in that it can learn how to adapt its approach or product/service offering to suit the market, alleviate staff fears, dispel myths and ultimately get a feel for what doing business in the market looks and feels like, before making a full commitment. Box 6.3 highlights *two* cases where the business incubation arrangement contributed to a gradual familiarisation of the firm with the foreign market.

Box 6.3: Knowledge accumulation - firm familiarisation with the market

Case companies 4 and 9 are SMEs using Launchpad as a base for sourcing products from China. Both companies used the time in Launchpad to handle negativities about China amongst staff. For C4 these included the principal buyer in the company needing to be convinced about the quality of Chinese suppliers and staff being worried about the company spending money in China with no benefit. The Launchpad employee (C4P3) visited the UK factory, met staff and made them feel at ease. C4P2 said, ‘and suddenly you know China just didn't become that distant country....you had a living, breathing example walking around the place’ (FF21). C4P1 said, ‘we've tried to integrate Launchpad into the company’ and also that using Launchpad ‘was changing the company's attitude towards China’ (FF20). C4P3 also said, ‘I think they also learned about how Chinese people are working. I think it's maybe a different style or way for them. So face to face can help them to learn more about China’ (FF8). C9P1 said of its employee visiting the UK ‘he kind of demystifies quite a bit of the Chinese culture for the people here and makes it more real for them and in some ways more acceptable, because I think there is prejudice out there in the market place, and amongst people ... “oh all our jobs are being shipped over to China” and things like that’ (FF22). C9P2 said, ‘I think both myself and my boss Tom and my colleagues in the UK learned a lot about China. We have learned how to deal with China, how to do business with Chinese partners.’ (FF11)

Finally in Section 6.3.5, business incubation is acknowledged as a method of foreign market entry which can facilitate the gradual accumulation of knowledge relating to how to service the market and how to structure a future new entity.

6.3 Networks

This section examines the data from the perspective of networks (Research Theme 4). During the business incubation period, networks were built or maintained through the firms' own efforts (Section 6.3.2) or through leveraging the connectivity of the incubator (Section 6.3.3).

6.3.1 Display of data: networks

The method used for data display was explained above in Section 3.6.3. In this section, assertions made about the link between business incubation and networks are referenced directly to specific quotations displayed in tabular form. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories. The quotation codes in Section 6.3 are: network building by the incubatee (NE), presented in Tables 6.15 - 6.16; and network building via the link with the incubator (NL), presented in Tables 6.18 - 6.20.

6.3.2 Network building by the firm

Evidence from 20 informants from 16 incubatees (see Table 6.17) shows how business incubation is able to provide a platform for incubatees to maintain existing new business networks or build new ones. For one university, this was achieved more effectively by having someone on the ground to manage its relationships (1). Relationship networks could also be maintained whilst the staff that had created them were back in the UK (2, 3). This ensured smooth, on-going communication (4) and ultimately resulted in more knowledge about the operating practices of contacts and partners (5). The business incubation arrangement was also acknowledged as helping build new business networks, sometimes in new locations in China where previously there were none (6, 7, 8).

The Chinese employee was recognised as playing an important role in creating the business networks necessary for future success (9, 10), either through proactively seeking new contacts or through the leveraging of existing personal and professional networks (11, 12). Pro-active involvement in industry associations, along with a programme of visits and presentations, formed an important part of two incubatees' efforts to establish these business networks (13, 14).

Table 6.15: Supporting quotations for network building by the incubatee (1)

Code	Supporting Quotation
NE1	'I mean we [already] had some kind of a network. But we had nobody to manage that who was Chinese and was working for the university officially. So his presence was the most, I think, the most important thing to enable us to have much better control over what we were doing.' C14P1
NE2	'The advantage of having this person in the office over there, in Launchpad, was that while we were back in the UK, she was continuing that sort of contact. She was maintaining the links that we had developed and getting to know the people. And we gained a lot of understanding. She would come across to the UK periodically and tell us the detail about what was going on. We all gained a lot from that experience.' C15P1
NE3	'[It was] the networks that this particular person could get into, even though we may have built them up initially first. It was good to keep the networks going and she became very well liked with one or two of the universities and that helped us enormously. She also knew the culture far better than anybody outside China could, so that helped.' C17P1
NE4	'There has been great progress in terms of relationships with Chinese partners. Before we started to use the Launchpad scheme, people kept communication with Chinese partners mainly using e-mail, but some of the partners they are not responding to e-mails very frequently and that kind of worries [C22] people [and makes them] feel they are not quite close to each other. So I think the establishment of this role has helped in building a closer relationship between [C22] and our Chinese partners and a more daily relationship with them. Also for the relationship with Chinese employers, I think it has benefited from this role in a similar way....we have more communication, including face to face communication or telephone communication with our employers, which can help a lot in building the kind of trust and relationship between each other.' C22P2
NE5	'I don't think it has increased our knowledge of <i>China</i> to any great degree. What it has done is increase our in depth knowledge about the partners with whom we are working in China, as a result....the kind of knowledge that we've been able to pick up is about the partners with whom we wanted to work and are now working...the routes of who to talk to, the structures of the universities and very simple things.' C22P1
NE6	'[Our existing networks] were all based around Beijing. So we've purposely thought we've already got that, so what we want is new stuff, new links and we want to base that where the technology is happening and where the new law firms are being created to service that. So that's why we went to Shenzhen.' C5P1
NE7	'So you can say in two years of course, we set up many new relationships with new clients in different provinces of China and with China Mobile, our major client. So yes we have new business.' C16P2
NE8	'[Our networks] are stronger than they were. We had some contacts. I mentioned [xxx Systems], I mentioned [xxx]..... One of our main [fan] suppliers has a business over there. They've got stronger somehow because we have been more present. But we have got a whole new set of networks as well.' C1P1
NE9	'I've met the top 30 companies, state owned enterprises, private organisations, private companies....which comes down to the qualities of our employee, who's done the leg work to set those meetings up, to make them happen and coordinate to make them.' C2P1
NE10	'Yes there is a big difference, because now we have direct contact through our person on the ground with the various institutes....we have good contacts in the petroleum industry with the various government institutes and we have a better understanding of what customers require and how it works.' C20P1

NE11	<i>During the Launchpad period, C8's confidence and knowledge about the market increased. This was attributed by C8P2 to his own experience of working in the same sector for a rival company: 'For inspection, before I worked for GE products, and GE is [Case Study 8]'s competitor.' C8P2</i>
NE12	<i>'She has got good relationships with the partners that we're identifying, or she's identifying. You know they are the right people for us. She is a very strong determined individual who will manage those people.' C11P1</i>
NE13	<i>'We joined two industrial associations, local industrial associations [which helped us] to know the market, know the main players in this sector..... it's a small sector.....we did a lot of visits and presentations to let them know our company and knowledge. So it takes about 8 months to break in, to let them to know who we are.' C2P2</i>
NE14	<i>'Last week we organised a seminar in Shenzhen....we just cooperated with Shenzhen Patent Association and we did a seminar in Shenzhen in a hotel and it was very successful..... I want to go out of Shenzhen, I want to go to Guangzhou, Foshan in Guangdong Province, or maybe other main cities like Changsha and Xiamen, but based in South China. That's what I'm interested in.' C5P3</i>

The ability to take advantage of networking opportunities on the ground was recognised by four informants (C3P1, C4P1, C8P1 and C9P1) as facilitating the expansion of business networks in ways not possible if the market was serviced from the UK only. Such networking opportunities can play an important role in making the incubatee more visible (15), and in some cases driving more direct enquiries to the UK (16). Indeed a presence within this business incubation scheme facilitated a greater understanding about the importance of relationships for business in China (17). The expansion of networks was viewed as bringing with it greater knowledge about the market (18) and being part of a business network as potentially leading to positive developments in unexpected areas (22).

Table 6.16: Supporting quotations for network building by the incubatee (2)

Code	Supporting Quotation
NE15	<i>'[C3] becomes a university that people are used to meeting.' C3P1</i>
NE16	<i>'What we've seen is, I assume it's [C4P3] getting herself about and speaking to different people in China, but we've seen enquiries come through our website.' C4P1</i>
NE17	<i>'I don't think we fully understood the importance of personal relationships in the market place and how that played out in the number of different chains in any transaction that might take place. So all that has been very useful. And by having a contact person or a liaison person on the ground, it has definitely changed the perception of the company in the eyes of our customers.' C8P1</i>
NE18	<i>'We know a lot more companies in this business and a lot more people yes. We simply have a magnitude more of knowledge about the market.' C8P1</i>
NE19	<i>'Getting back to networks, fortunately our steel locker manufacturer who we get on very well with now, has got a very good network of distributors and exhibits twice a year at the Canton Fair, and they have given [C9P2] access to all their distributors in China for our plastic locker. So we got that set up already. So we will be selling through distributors, and some of those distributors are showing extreme interest already, and are quite anxious to get their hands on the product.' C9P1</i>

Table 6.17 below shows that out of the sixteen incubatees that acknowledged business incubation as platform for network building, eleven were SMEs.

Table 6.17: Business incubation as platform for network building

Business incubation attribute	Support	No. of Cases
Network building platform	C1P1, <u>C2P1</u> , <u>C2P2</u> , C3P1, C4P1, <u>C5P1</u> , <u>C5P3</u> , <u>C8P1</u> , <u>C8P2</u> , C9P1, C11P1, C12P1, C14P1, <u>C15P1</u> , <u>C15P2</u> , C16P2, C17P1, C20P1, C22P1, C22P2	16
Of which: SMEs	C1, C2, C4, C5, C8, C9, C11, C12, C15, C16, C20	11

6.3.3 Network and credibility building via the link with the incubator

Overall, 12 informants from within nine incubatees (see Table 6.21) acknowledged the role of the business incubator in facilitating network building.

The data reveal that Launchpad users could benefit from the activities of the business incubation operator, CBBC (1, 2), especially from its broader connectivity with the business community (3) and from introductions within its own business network (4).

Table 6.18: Supporting quotations for networking via the incubator (1)

Code	Supporting Quotation
NL1	'I joined the CBBC delegation to Xiamen for CIFIT [China International Fair for Investment and Trade]. That's a great programme and I can meet a lot of government persons in a few days....and that benefits my work.' C5P3
NL2	'I have the opportunity to know what's going on between the members of CBBC or BCCC [British Chamber of Commerce in China], so that I can go to some of the events or have the opportunity to communicate with other CBBC members. I think that's another advantage.' C22P2
NL3	'I think [CBBC] provided me with a very good resource. They are well connected. So they provide quite useful contacts for me.' C15P3
NL4	'And in the Shenzhen local office, sometimes I am interested in new enterprises and SMEs, but I don't have contacts, but they can share with me...CBBC gives me a lot of support. Yes, that's right. From the perspective of extending my network. Because personally, my network is limited, but CBBC is a good organisation which can share its networks with me....So that's a great help to me.' C5P3

From amongst these 12 informants, nine informants (C2P1, C2P2, C9P2, C12P1, C15P2, C16P1, C16P2, C21P2 and C23P2) from seven incubatees also found it helpful to be *associated* with an official organisation in China such as CBBC, which is closely linked with UK

government via its relationship with UK Trade and Investment (UKTI). They considered that it provided useful access and also indicated some kind of support or endorsement, especially when it came to dealing with Chinese government organisations (5, 6, 7, 8, 9, 10) or within some sensitive sectors (11). Such channels facilitated access to high level contacts beyond what normally would have been achievable for small companies if acting alone (12, 13).

Table 6.19: Supporting quotations for networking via the incubator (2)

Code	Supporting Quotation
NL5	'[The link with CBBC] does play a little bit with some Chinese companies, again perhaps it's with the state owned enterprises, where they see some kind of quasi British government involvement in what you're doing. And that can be quite influential up to a certain point.... But I think it's very much a kind of secondary influence.' C2P1
NL6	'The [link with CBBC] especially helps me because my sector is water - the municipalities that we need to deal with, the state owned enterprises and the local government. So CBBC can help us to find the relevant local government to talk to, or we can show up as a British company together with CBBC or with UKTI, which is definitely a good image for us.' C2P2
NL7	'I think through the involvement of CBBC and UKTI, which on the ground in China are very closely linked of course, I think there was a certain sort of profile that we were serious, that we had some kind of element of UK government, not backing, I don't know what the word is, but a slight element of endorsement perhaps.' C15P2
NL8	'CBBC has been established in China for many years. They have their own resources. So working as a Launchpad, I can get access to the resources that have been established for many years. For example, I can contact some local organisations - the local export import bureau.' C9P2
NL9	'Holly [a CBBC employee] gave me some support because she has some contact with the Ministry of Agriculture and other industries. So sometimes I can get some support related to policy or these kinds of things.' C21P2
NL10	'Because CBBC has a very good relationship with government departments in China, so sometimes if there's some regulation which I am not very familiar with, CBBC could find the right person that I can talk to. So, I think within that almost one year based in CBBC as a Launchpad, it's really like we accumulate a lot of regulation experience and knowledge.' C23P2
NL11	'The work that we are involved in is actually quite sensitive or can be perceived as quite sensitive to the Chinese authorities – because you are talking about labour standards and health and safety, and there's lots of discussions on-going around wages, standards etc. within Chinese suppliers. So it can be quite a sensitive area and we found it really helpful to get advice and support and the introductions through the CBBC team, with particular government departments. And this enabled our registration process to go through very effectively.' C12P1
NL12	'We got fantastic help. So we were introduced to people in the government, in telecoms and at the operators which were way ahead of where we should have been. So you know, we are a small company, an SME in Nottingham, great technology, but that's what we are. We were getting into, you know, people like the Huawei's, the ZTE's as well as all the government regulators who were fixing policy in this area, so really, really good stuff....Through the CBBC we got quite a good relationship with the FCO [Foreign and Commonwealth Office]. So really between the CBBC and the FCO, they helped us with China Mobile in Hangzhou, to get us over the line, to get us that first contract. So that was a joint effort really between all of us.' C16P1

<i>Table 6.19 Cont.</i>	
NL13	'You can see very obviously that [Case Study 16] to Chinese clients, is a very small company. So if you need to access potential clients, you need to have a good platform for success. So I think CBBC's Launchpad provides a good platform, because CBBC can provide the resource from the UK government and UK Embassy in Shanghai, so we can easily access potential clients through the events or telecoms meetings through the Residence..... So that's very helpful. With that help it's much easier to access the clients, compared with me just going to knock on the door.' C16P2

Another six informants from five incubatees also indicated that an association with the business incubator had a positive impact on the firm or organisation's credibility in the market (see Table 6.21). The benefits of a link to an 'official' organisation (in terms of endorsement and credibility) also extended to some commercial scenarios when dealing with existing contacts (14), and was regarded as providing a foundation for building new business relationships at the appropriate level (15, 16, 17). The business support, in terms of (for example) someone being able to take calls when the Chinese manager is away, as well as the central business district location, was also acknowledged as lending credibility to both the incubatee (18) and the individual (19).

Table 6.20: Supporting quotations for networking via the incubator (3)

Code	Supporting Quotation
NL14	'We had existing suppliers and when we told them that we were setting up the Launchpad via CBBC, they obviously went and researched CBBC and Launchpad and I think it's seen as a legitimate high level representation, more so than just trying to represent yourself out there. It probably gives you a little bit more credibility with suppliers I think.' C4P1
NL15	'Because CBBC is very well known in this field and even when I visit an exhibition, I will give them my card and I introduce myself and also I say that I am a Launchpad of CBBC. We have very good cooperation with CBBC. Yes, I think that's helpful.' C20P2
NL16	'Every time I go to visit potential clients, my name card is joint -branded. So CBBC has a very good kind of reputation with the clients. They know that CBBC is an organisation to connect UK and China. So it did help me a lot to get the chance to talk with high level people.' 'And the good thing is that CBBC is a very good platform. So CBBC use their influence, ability, to introduce [Case Study 23] to several big pharma clients, which is very helpful to us.' C23P2
NL17	'There are no disadvantages, just benefits, because people in business have often heard of CBBC, or even if they haven't, the name is very officious sounding. So the fact that they might not know our name, it's very good to be able to...it's why we go to all these exhibition tours. You know the official ones. If you're attached to the Education UK pavilion, the British Council or CBBC, it's all giving your brand legitimacy.' C3P1
NL18	'It's very good for the credibility, yes. If [C9P2] needs something like a business card, if he needs a telephone, if he's not in the office, someone to take a message for him, you know it adds to that kind of credibility that Chinese want to see. "Oh, he works in an office in Nanjing Road West", well that is a positive, you know, because Nanjing Road West, you know, is a bit like having an office in the West End, or Covent Garden, something in London. So yes that's a really big factor. I mean if for example CBBC had its offices down the Gangkong Road or something, or that kind of place, then it wouldn't look so good to the Chinese mind. It would be a bit low rent, really. So that is actually, in a strange kind of way, quite important.' C9P1

<i>Table 6.20 Cont.</i>	
NL19	‘The number one is that before I work as Launchpad and whenever I come to see some Chinese partners, Chinese companies, I don't have any credibility, I'm just a nobody, [C9P2], a simple Chinese guy. So those Chinese bosses, from the Chinese company, they didn't take me seriously, but after I come to CBBC working as a Launchpad, I have my business card, I have my office, I have my hot line. This gave me really good credibility to carry out any business contacts or carry out activities with Chinese people with Chinese companies.’ C9P2

To summarise, Table 6.21 below shows that twelve informants within nine incubatees acknowledged the business incubator’s role in being able to facilitate network building. Six interviewees within five incubatee firms indicated that an association with the business incubator had a positive impact on the firm or organisation’s credibility in the market.

Table 6.21: The role of the business incubator in facilitating networks

Business incubation attribute	Support	No. of Cases
Business incubator able to facilitate networks	<u>C2P1; C2P2; C5P3; C9P2; C12P1; C15P2; C15P3;</u> <u>C16P1; C16P2; C21P2; C22P2; C23P2;</u>	9
Credibility	C3P1; C4P1; <u>C9P1; C9P2;</u> C20P2; C23P2	5

6.3.4 Summary of network building findings

The data show that the business incubation period can be used by incubatees to strengthen existing business relationships (e.g. NE1 to NE4 in Table 6.15) and also to build new business networks, for example in different regions of the market (e.g. NE6 to NE7 in Table 6.15) or within firms or institutions regarded as being critical to success (e.g. NE9 to NE10 in Table 6.15). Also, having a person on the ground to increase the firm’s visibility and real time availability was viewed as advantageous to developing the relationships necessary for new opportunities. As with knowledge accumulation, the qualities of that person is shown to be important for the effectiveness of network development. Box 6.4 highlights a case study where business incubation has provided a platform for strengthening and maintaining *existing* relationships and Box 6.5 shows the same for building *new* relationships critical to success. Box 6.6 shows how association with the business incubator can be valuable not only to network building but also for building credibility during the business incubation process.

Box 6.4: Network building - strengthening existing links

Case Study 22 is a University. The UK decision-maker, C22P1, said that knowledge about existing partners had increased during the time in Launchpad. 'What it has done is increase our in-depth knowledge of the partners with whom we are working in China.... the kind of knowledge that we've been able to pick up is about the partners with whom we wanted to work and are now working' (NE5). The Chinese manager agreed. 'Before we started to use the Launchpad scheme, people kept communication with Chinese partners mainly using e-mail, but some of the partners they are not responding to e-mails very frequently and that kind of worries [C22] people [and makes them] feel they are not quite close to each other. So I think the establishment of this role has helped in building a closer relationship between [C22] and our Chinese partners and a more daily relationship with them. Also for the relationship with Chinese employers, I think it has benefited from this role in a similar way.' (NE4)

Box 6.5: Network building - new relationships

Case Study 2 is a supplier of systems and equipment to the water sector. C2P1 said 'I've met the top 30 companies, state owned enterprises, private organisations, private companies....which comes down to the qualities of our employee, who's done the leg work to set those meetings up, to make them happen and coordinate them' (NE9). C2P2 went on, 'We joined two industrial associations, local industrial associations' which helped C2 'to know the market, to know the main players in this sector.....it's a small sector'. So C2 quickly got to know who the main players were. 'We did a lot of visits and presentations to let them know our company and knowledge. So it takes about 8 months to break in, to let them know us' (NE13).

Box 6.6: Network building - the role of the incubator

Case Study 16 supplies equipment to the Chinese telecoms sector. C16P1 explained that the support in terms of being introduced to government and industry contacts, allowed the company to make rapid progress 'So you know, we are a small company, an SME in Nottingham, great technology, but that's what we are. We were getting into, you know, people like the Huawei's, the ZTE's as well as all the government regulators who were fixing policy in this area, so really, really good stuff... Through the CBBC we got quite a good relationship with the FCO [Foreign and Commonwealth Office]. So really between the CBBC and the FCO they helped us with China Mobile in Hangzhou, to get us over the line, to get us that first contract. So that was a joint effort really between all of us' (NL12). This was echoed by the Chinese manager C16P2, 'You can see very obviously that [Case Study 16], to Chinese clients, is a very small company. So if you need to access potential clients you need to have a good platform for success. So I think CBBC's Launchpad provides a good platform, because CBBC can provide the resource from the UK government and UK Embassy in Shanghai, so we can easily access potential clients through the events or telecoms meetings through the residence..... So that's very helpful. With that help it's much easier to access the clients, compared with me just going to knock on the door' (NL13).

6.4 Support services from the incubator

The interview data also showed that incubatees attached value to the support services offered by the Launchpad business incubation scheme. These may be considered as additional benefits during the business incubation process. However, since such support services are not uniform across different business incubators, they are outlined here as merely being indicative of typical features.

6.4.1 Physical space

The role of physical accommodation was recognised by five informants (C12P1, C12P2, C16P1, C18P1 and C19P1) from four incubatees. At its most basic, the business incubator provides a physical space and supportive infrastructure, giving the outward appearance of a permanent presence in a central business district location. For example,

“A desk, dedicated phone line, meeting room and a receptionist taking calls, which made it look as if we had a real permanent establishment in Beijing....So it did provide us with infrastructure. It gave us a good foundation to build on.” C19P1 (UK manager, power generation equipment manufacturer)

For three informants (C12P1, C16P1 and C18P1), the physical space was also valued as being flexible enough to accommodate more persons, in a risk-free way, as the business grew. This is revealed in the following quote:

“So it enabled us to build our staff numbers there in a really risk-free way, to be honest. We were able to build-up... and our cost exposure there was managed over time. So rather than having to go from day one getting an office and employing people directly, it enabled us to build-up overtime.” C12P1 (UK manager, ethical trading membership organisation)

6.4.2 Recruiting a manager

An analysis of the interview data also showed that the business incubator was valued by nine informants (C2P1, C3P1, C4P2, C7P1, C8P1, C16P1, C17P1, C18P1 and C22P1) for its role in providing support for identifying a suitable Chinese manager. This process, which involved advertising, shortlisting and scheduling interviews, was acknowledged as saving time and

money for the firm and being helpful for providing advice about the best candidate within an unfamiliar business environment. For example:

“The support I got from the manager at CBBC Shanghai in recruiting our project manager, who is still with us today - he's our chief representative.....I got great support from [xxx] in the Shanghai office in CBBC. He co-interviewed with me. Because I was conscious that I would be interviewing people in their second language, I was conscious therefore that there would be different body language and I had no experience of interviewing Chinese candidates, so it was great having a local guy there with me, perhaps to pick up on anything that I might have missed. All that help in getting the right person, the person with the right attitude and work ethic and enthusiasm and commitment meant that we very, very quickly were able to get him up the learning curve.” C18P1 (UK manager, sourcing company)

“And as a means of finding somebody, of finding [our manager]... that's been really important. And I don't think we may have found the project manager by other means. So that was very important.” C14P1 (UK manager, university)

6.4.3 Administrative support

The administrative infrastructure provided by the incubator was also seen as useful by 13 informants (C2P2, C3P1, C4P2, C7P1, C11P1, C12P1, C13P1, C14P2, C15P3, C16P2, C18P1, C22P1 and C22P2) from 12 incubatees. This support enabled the Chinese manager to engage in business development work free from any administrative burden. He or she was therefore able to build up business over time in a supportive environment. For example:

“I think it's quite convenient to work in Launchpad because I don't have to worry too much about administrative work.” C22P2 (Chinese manager, university)

“The key bit about Launchpad was that it provided him with the office and the support network to allow him to go out and do his job, which was essentially to find customers, to find out what was going on in the market, and so on.” C7P1 (UK manager, anti-static equipment manufacturer)

6.4.4 Summary of business incubator support services

An analysis of the data reveals that the business incubator provided support in a three ways: (i) it provided physical accommodation which was also flexible enough to accommodate an increase in staff numbers; (ii) it helped to identify, attract and recruit a suitable manager to work at CBBC on behalf of the firm; (iii) it provided administrative support, allowing the manager to focus on business development activities. From an analysis of the data, these support service are ranked in order of acknowledgement by incubatees in Table 6.22, below. The value of administrative support was particularly recognised by the locally-engaged Chinese managers.

Table 6.22: Business incubator services acknowledged in rank order

Rank	Business incubator service	Incubatees	Number of informants	Of which: Chinese manager
1	Administrative support	12	13	5
2	Assistance with recruiting manager	9	9	0
3	Suitable, flexible accommodation	4	5	1

6.5 Theoretical discussion

In this section, the relevant literature on knowledge (Section 6.5.1) and networks (Section 6.5.2) will be discussed within the context of business incubation and insights gained from the case study analysis.

6.5.1 Knowledge

As mentioned previously in Sections 2.2.6 and 2.2.7, entrepreneurial actors have been recognised as possessing specialized knowledge but lacking general business skills (Lyons, 2000). In domestic market settings, the benefits to learning that incubators extend to incubatees have been recognised in the literature (e.g. Smilor, 1987a, Voisey et al., 2006). Hansen et al. (2000) maintain that institutionalized processes that transfer knowledge throughout the incubator network can facilitate the development of incubatees, while Lewis et al. (2011) also acknowledge that peer-to-peer learning and mutual support are critical to incubator success. McAdam and Marlow (2008) found that young firms benefit from being in close proximity to

other firms and enjoy the support this can bring during their vulnerable start-up and early growth phases.

In foreign market settings, local knowledge or 'market knowledge' (Eriksson et al., 1997, Fletcher and Harris, 2012) has been viewed as being particularly critical to success in foreign markets. For the Chinese market this also includes knowledge about the regulatory framework, the general economic conditions, the political situation and the business culture (Beamish and Inkpen, 1995, Inkpen and Beamish, 1997, Beamish and Jiang, 2002).

The findings in this research have shown that having a local manager on the ground is very important for internalising market knowledge (as observed in Section 6.2.2). The business incubator is able to play a role in enabling a firm's employee to work 'on the boundary between the firm and its market' (Johanson and Vahlne, 1977 p.27) and allowing him or her to accumulate the knowledge and experience necessary for reducing uncertainty as a barrier for a firm's deeper market commitment. The recruitment of a local manager and the subsequent knowledge benefits may be considered a form of 'grafted' experiential knowledge (Fletcher and Harris, 2012). Furthermore, the interaction between the local manager and staff members in the UK (see Section 6.2.4) has been shown to increase cultural and market understanding across the firm as a whole. Buckley et al. (2006) have found that cultural understanding in turn facilitates learning.

The findings also have also shown that the benefits of business incubation in domestic settings in relation to peer-to-peer learning and proximity to other firms in the incubator (McAdam and Marlow, 2008, Lewis et al., 2011) is equally relevant for foreign market entry settings (see Section 6.2.3)..

Business incubation is therefore observed as creating a cycle of learning important to knowledge accumulation. In this way, business incubation can become an important factor in the firm's learning process, infusing it with both market knowledge and 'market entry knowledge' (Fletcher et al., 2013), which refers to knowledge about how a firm can achieve fully fledged market entry, assess partners and construct appropriate agreements and contracts with them.

Overall, the evidence shows that business incubation is able to help a foreign market entrant accumulate knowledge prior to making a further, deeper market commitment, supporting the

view of Johanson and Vahlne (1977, 2009) that experiential learning is a central factor in a firm's internationalization.

6.5.2 Networks

According to social network theory, in organisational settings, managers form networks and ties to gain access to information and scarce resources (Granovetter, 1985). These ties are vital to identifying business opportunities and accumulating knowledge. In the business incubation literature review (Section 2.2.6), the role of business incubation in supporting the development of business networks was recognised (Hansen et al., 2000, Bøllingtoft and Ulhøi, 2005, Tötterman and Sten, 2005, McAdam and Marlow, 2008). In the review of the international business literature (Section 2.3.7) the importance of networks was also recognised. For example, network relationships enable firms to internationalize more rapidly (Coviello and Munro, 1997), and 'insidership' in relevant networks is also seen as necessary for successful internationalization (Johanson and Vahlne, 2009).

An analysis of the data in this research has shown that business incubation as a method of foreign market entry facilitates 'insidership' by helping firms maintain *existing* relationships (through, for example, acquiring more knowledge about relationship partners) and by helping them to build *new* business networks conducive to successful foreign market development. The engagement of a local manager can facilitate the building of relationships. Association with the business incubator can also increase credibility and in doing so support further network and relationship building.

Any discussion about business networks in the Chinese business context overlaps with the discourse about *guanxi*, which is viewed as key to doing business in China (Yeung and Tung, 1996, Buttery and Wong, 1999, Bridgewater and Egan, 2001, Vanhonacker, 2004, Ambler et al., 2008). When possessed by staff members, *guanxi* is acknowledged as an important resource for the firm (Tsang, 1998) which has the potential to reduce uncertainty and improve performance for foreign firms (Abramson and Ai, 1997). Ahlstrom (2000) has recommended that foreign firms can build or acquire relationships by hiring individuals with local influence, which he described as a *guanxi* 'co-option strategy'. This underlines the strategic importance of selecting the right manager to operate from the business incubator.

Furthermore, research by Tsang, (1998) observed that foreign firms may often build a ‘small beachhead’ for the purpose, for example, of gradually building up a pre-emptive guanxi network against their competitors. These research findings have demonstrated that a business incubator can serve as such a beachhead. Chapter 4 highlighted that bureaucracy, regulation and government (Creel, 1964, Stewart, 1990, Peng, 2000, Ambler et al., 2008) figure highly as market challenges. The data has shown that for some firms cultivating relationships with government agencies is an important part of the network building strategy during the business incubation period and that this network dimension can be assisted via the link with the incubator.

6.6 Chapter summary

In this chapter, the knowledge accumulation, network development and credibility building benefits arising from business incubation were investigated and discussed. These themes will be referred to again in Chapter 7 in terms of their power to help reduce the overall cost of FDI and contribute to accelerating a mode-switch to FDI.

From an analysis of the case study data, it is also possible to answer sub-research question 2: ‘What benefits do firms and organisations gain from being in international business incubators?’ by listing in rank order the business incubation attributes held as being beneficial by incubatees. This can be seen below in Table 6.23.

Table 6.23: Summary of benefits

Rank	Business incubation benefit	Support	No. of Cases
1	Knowledge	C1, C2, C3, C4, C5, C7, C8, C9, C11, C12, C15, C16, C18, C19, C20, C21, C22, C23	18
	Sources/types:		
	Peer-to-peer	C1, C2, C3, C4, C7, C9, C11, C12, C15, C16, C18, C19, C20, C21, C22, C23	16
	Local manager	C1, C2, C3, C4, C5, C7, C8, C9, C11, C12, C16, C18, C20, C21, C23	15
	Cross-firm	C1, C2, C3, C4, C9, C11, C14, C16, C18, C20, C21, C22, C23	13

Table 6.23 Cont.

2	Serves as network building platform for incubatees	C1, C2, C3, C4, C5, C8, C9, C11, C12, C14, C15, C16, C17, C18, C20, C22	16
3	Business incubator facilitates networks	C2, C5, C9, C12, C15, C16, C21, C22, C23	9
4	Association with business incubator strengthens credibility of incubatee	C3, C4, C9, C20, C23	5

The table above shows that knowledge and learning was viewed as being the most significant business incubation benefit (with the sources and types also shown). This was followed by its ability to provide a platform for the firm or organisation's own network building efforts. The business incubator's role in facilitating networks and extending credibility to the firm or organisation was also recognised.

The next chapter will investigate how business incubation influences a firm or organisation's onward transition to a full market commitment.

Chapter 7: Business incubation and the internationalisation experience

7.1 Chapter introduction

In Chapter 6, the subject of how firms benefit from the business incubation process in terms of knowledge accumulation and network expansion was examined. In this chapter the circumstances surrounding a firm or organisation's *exit* from the business incubator in order to establish a next stage commitment is explored. The overall pathway to foreign market entry provided by business incubation is also reviewed. The commercial benefits experienced during the business incubation period, which increase a firm or organisation's confidence about the market, are considered in Section 7.3, while the exit triggers for a full commitment or a withdrawal from the market are examined in Section 7.4. In Section 7.5, case study data supporting the notion that business incubation influences the overall speed of foreign market entry are highlighted. Finally, in Section 7.6, there is a theoretical discussion about how business incubation can influence mode switching behaviour, labelled as Research Theme 6 in Section 2.4. This discussion combines theories from the transaction cost economics and internationalisation process streams of the international business literature.

7.2 Display of data: exit and post exit development

The method used for data display was explained above in Section 3.6.3. In this section, assertions made about the incubatees' switch from business incubation to next stage market commitment (or market withdrawal) are referenced directly to specific quotations displayed in tabular form. This allows the reader to follow the chain of evidence that is used to support and re-contextualise existing theories. The quotation codes in Section Chapter 7 are: commercial benefits arising from business incubation (CB), presented in Table 7.1; exit triggers (ET), presented in Tables 7.2, 7.3, 7.4, 7.5, 7.6 and 7.9; informant views on the overall speed of foreign market entry, presented in Table 7.10 (SW); and the acceleration function of business incubation (AF), presented in Table 7.11.

7.3 Commercial benefits

The benefits of measureable, commercial benefits experienced whilst in the incubator were stressed by twelve informants (C2P2, C3P1, C4P2, C7P1, C8P1, C8P2, C9P1, C14P1, C15P1, C19P1, C20P1 and C22) in eleven incubatees. In the case of universities this could be expressed

in the number of students (1), agents and other visibility enhancing activities (2), or partnerships (3). Some incubatees experienced actual sales or commercial agreements during the period in Launchpad (4, 5, 6, 7), which set the trend for future commercial success (8, 9, 10, 11). For two companies sourcing from China there was a noticeable improvement in quality and product development (12, 13). For one of these there was also the added benefit of developing a third country market, as well as a significant increase in overall company turnover, which fully justified the cost of the scheme (13).

Table 7.1: Supporting quotations for commercial benefits

Code	Supporting Quotation
CB1	‘Yes. We improved numbers that year. I think we more than doubled our intake, starting from a very, very low base. So yes of course it was down to having someone in Launchpad, and me over there together.... The first year we spent a lot of time building up our agent networks that we work with. That has jumped from four or five, to about 25.’ C14P1
CB2	‘He’s worked nationally with 15 agents, often visiting multiple offices in multiple cities. He’s brought four agents to our Agents Conference in the UK. He’s been to 38 education exhibitions. Sometimes with us, but often on his own. He’s been to all 4 British Council offices, and often multiple times, attended CBBC events. He’s also supported staff coming from the UK, not just me but other colleagues as well. He’s worked with a PR company twice, to deliver really good value for money, because he’s a very hard bargainer. So we got really good PR coverage across China. He’s personally been to 12 cities outside Beijing, but some of them multiple times, as well. So that’s more than 12 visits. He’s produced our guides, our recoils and other materials in Chinese locally, business cards and so on, for us when we travel. He’s been directly handling enquiries and passing us applications. And he’s also been the account holder for our Chinese social media which we didn’t have before we started. So all of that activity.’ C3P1
CB3	‘I’m going to be visiting PRC in a couple of weeks and I’ll be visiting Qinghua University with whom we are hoping to launch a double degree, which is extremely exciting but very, very new for us. And going on to Fudan, where we’re also talking about extensive links there. So you know, these are top institutions with whom we are proud to be associated. But that kind of insight would not have been possible if we didn’t have these people on the ground.’ C22P1
CB4	‘In terms of did it pay for itself, it was fairly inexpensive. And you know, it doesn’t take many pieces of work to cover the cost. So I feel that on the whole it was probably paying for itself fairly soon.’ C15P1
CB5	Interviewer: ‘And has there been an increase in sales since you’ve had a presence on the ground?’ C20P1: ‘Yes, there has. Definitely. We’ve increased the number of distributors as well and we’ve kind of focused to be more industry specific. Previous to that, we tended to use general, I guess, suppliers to sell the equipment, but now we’ve concentrated and looked at companies for example involved in petroleum, companies involved in edible oils and the food industry, others involved in the pharmaceutical business. So we’ve been more industry specific in choosing the distribution operations.’
CB6	‘Well as we sit here now, and nearly a year later, as I say we’ve more than doubled our sales in the last year. [The cost of Launchpad]] is a drop in the ocean. I’m glad we did it and it was a good investment. If we had been sitting here now and well saying sales haven’t really increased, then I’d say maybe I didn’t need to spend that money. Maybe the knowledge isn’t worth that much. But it’s a bit of a difficult question to answer because we have some hard financial advantage from it.’ C8P1

<i>Table 7.1 Cont.</i>	
CB7	'You know I finished the sales revenue, I closed [Case Study 8]'s target. I just used a half year. So I give [C8P1] the confidence to develop the Chinese market. You know, before I joined [Case Study 8], the sales revenue was 1 million, so I used half year to get this 1 million, then I continued to grow it for half a year, and another half a year, until it doubled.' C8P2
CB8	'Yes. So far it's good because we signed a framework agreement with a Chinese partner at the end of last year. So this year we're trying to work with them. So we did some site visits. So there is a potential project this year. So it's real work rather than just finding figures for the market. So this year will be some good deals, hopefully.' C2P2
CB9	Interviewer: 'Did the arrangement actually lead to any orders. C19P1: 'Absolutely. And the work we did built the foundation for future orders, which came in buckets in the years to follow. As I say, the business that we did in China actually helped our company in Doncaster to survive and thrive.'
CB10	'Well, I mean I think you can quite simply say that it was the beginning of our adventure into China, our profitable sales entry. So without it, it wouldn't have happened then.' C7P1
CB11	'From a narrative point of view you could ask anybody here, any of my colleagues who would say that our China business, which as I've said, makes a million pounds this year, and is growing at sort of 40-50% every year, is likely to be an extremely substantial part of our business. I mean it's sort of 15% now, you know, 10-12% now. I can see it being a third of our business in 3 or 4 years' time. So it is a substantive part of our business, and as I said, without Launchpad, it wouldn't have happened then, it may never have happened. Yes, I think a significant point is that, no, as a narrative point, I think that's right, it would have never have happened then, and it may never have happened at all, without Launchpad.' C7P1
CB12	'I mean the shipments that we've had in have got better and better every time, because we've had somebody going into the factory each time and saying, that's not right, put that right.' C4P2
CB13	'Well I can't put an exact figure on that, but I would say that for [Case Study 9], because of the development of our new locker product, and constantly striving for improvement, the fact that [C9P2] was the one who set up the Japanese distributor, the fact that we've got a product here now that we sell through.... I mean he's got to have added a million quid to the turnover. I would be surprised if it was less than that one way or the other. And what we've done now with the new plastic locker, I would say somewhere between ¾ million and a million pounds to the turnover, if we had to put a raw figure on it –something like that. And when you're looking at the turnover of the company I mean, that just over 20% really of turnover, so having that connection has been absolutely vital in the, not just the survival but the, what do you call it, it's almost like the renaissance of the business in the post Lehmann Brothers world.' C9P1

The findings show that commercial gains can be achieved during the business incubation process. Such gains increase a firm or organisation's confidence in the market ahead of making a deeper commitment. An example is highlighted in Box 7.1, below.

Box 7.1: Commercial benefits during business incubation

Case Study 8 is a manufacturer of components for x-ray equipment. The decision-maker in the UK explained how sales had increased during the time in incubator. ‘We’ve more than doubled our sales in the last year. [The cost of Launchpad] is a drop in the ocean. I’m glad we did it and it was a good investment’. (CB6). The Chinese manager, C8P2 explained his own contribution. ‘You know, I closed their target. I just used a half year. So I give [C8P1] the confidence to develop the Chinese market. You know, before I joined [Case Study 8], the sales revenue was 1 million, so I used half a year to get this 1 million, then I continued to grow it for a half year, and another half a year, until it doubled.’ (CB7)

7.4 Exit trigger

This section examines triggers to exit the business incubator, for both firms and organisations that left to set up an entity and for those that withdrew their presence from the market.

7.4.1 Exit trigger to set up an entity

Seven informants (C7P1, C12P2, C14P2, C18P1, C18P2, C19P1 and C19P2) in five former incubatees explained that they decided to leave Launchpad because a larger team was required to service the market. For three incubatees, the increase in costs arising from more persons being accommodated in the business incubator was the main exit trigger (1, 2, 3). However, costs were not always the reason. For two incubatees, the rationale for a fully fledged market entry had been justified by the level of activity (4), and a ‘team’ was required to continue to build the business (5) or handle a larger volume of enquiries, or orders (6, 7).

Table 7.2: Supporting quotations for exit triggers (1)

Code	Supporting Quotation
ET1	‘We were looking to expand and take on more people...having 3 desks in the Launchpad would have been quite expensive, and I suspect wasn’t really the purpose of the exercise.’ C7P1
ET2	‘I don’t think the CBBC Shanghai office has much space. So it’s a high amount of money. To be honest, if you move out with 10 people, obviously the cost will be cheaper than CBBC. But if you’ve got two or three people, then definitely we would stay there. So that’s the key reasons we moved out - space and cost.’ C12P2

ET3	'But after about 8 or 10 months into the job, we probably thought that this business is not a one person job, because you know China is such a huge, huge market. So there is a lot of administrative work that needs to be done in China, which can't be done by one or two guys. Then we thought we needed to have our own administrative staff, hired directly by us or our partner companies. So it was mainly about the capacity that we can't put 4 or 5 guys into the same package, because that becomes quite expensive, and using that money we can potentially find a local partner who is willing to do the same job for us, for a cheaper price.' C14P2
ET4	'Because of the volume of activity we decided we needed to employ a second person, and not long after realised that a third person would be needed.' C18P1
ET5	'The main reason for us is that we need more people. We need a team instead of two guys to run the sourcing activity.' C18P2
ET6	'We started to get a much higher level of enquiries for our products and services and actually we also got some orders. And we said, OK, we've got some orders, we need to start building a bigger team now, to help execute these orders, so we need our own office somewhere.... I was pretty much convinced already that we were going to have our own Rep Office, you know, after a year of Launchpad, or our own company.....but it wasn't really clear....[the actual decision] was forming. I was just thinking about it.' C19P1
ET7	'Once you have a major break-through for your project, you need a project team to execute the project. It means you need not one table, you need several tables for the junior levels.' C19P2

Six informants (C7P2, C16P1, C18P1, C18P2, C23P1 and C23P2) from five incubatees elaborated on the commercial reasons surrounding exit. For three informants, the higher level of enquiries alone, along with the establishment of a customer base with regular sales activity (8, 9), or the achievement of short term goals (10) were key factors in the exit decision. For informants from two incubatees, the case for a permanent presence in the market had been 'proven' (11), and senior management or shareholders had been sufficiently convinced, or had become sufficiently confident to take the next step, which could be justified (12,13) on the basis of projected sales with new and existing clients (14).

Table 7.3: Supporting quotations for exit triggers (2)

Code	Supporting Quotation
ET8	'The most important factor was that we did sell more. We had a more stable customer base with regular enquiries and regular orders. That means we do need [to set up] a company to deal with the daily activities, because for us, because we sell our products not at a very high value, but we have quite a lot of orders to handle. Maybe you have several orders per day, but not that huge - maybe £1000 or £2000.' C7P2
ET9	'[Whilst in Launchpad, we had a period of] delivering shipments without any real issue in China, and the business increased with our main customer.' C23P1
ET10	'We moved out of the Launchpad. I think we did two years, the best part of two years, so we moved out of the Launchpad in that mid-stage. So once we'd got through the trials, and we were getting decent results from the trials, and we starting to talk about our first 10 to 100 sites, that's when we moved out.' C16P1
ET11	'The main point was that the case for a presence of its own had been proven.' C18P1
ET12	'The first year at CBBC was very important, because it convinced senior management about the important role China can play and made them feel confident enough to move out and set up a Rep Office of their own.' C18P2

<i>Table 7.3 Cont.</i>	
ET13	'We built up a potential book of business based on the Launchpad scheme and we also had a couple of customers who were very clear in terms of their positioning. If we set up a company, then they would give us business. So that was a very powerful thing to take back to the owner.' C23P1
ET14	'From my period in Launchpad, I collected a lot of information, a lot of regulations, and also the clients' feedback, and also the market survey. So we understand that the business prospects in China were very attractive and we are confident that if we can register as a wholly owned company, we will make money within two or three years, and the business will grow up rapidly in China. Also we have pressure from our biggest client which is [xxx], because they already had an R&D centre in Shanghai. So [xxx] kept pushing us to register as a forwarding company to help them with shipments and transportation internationally.' C23P2

The 'representative office' business license under which the Launchpad business incubation scheme operates does not permit firms to issue their own invoices or handle commercial transactions directly. This proved a constraint for companies whose activities were going beyond liaison, business development and marketing (15). Those companies needing to issue invoices needed to set up a full service business (16, 17, 18). For example, a Wholly Foreign Owned Enterprise (WFOE) would be able to sign business contracts and supply directly to new Chinese clients (19) and secure further business with existing clients in China.

Table 7.4: Supporting quotations for exit triggers (3)

Code	Supporting Quotation
ET15	'A Rep Office is not able to do real business..... Launchpad is a constraint on real business. I would say Launchpad is for marketing.' C19P2
ET16	'But we have to invoice our customer. So anyway, that's required by the progress we made here. We do need a company to deal with the daily activities.' C7P2
ET17	'We needed to receive local membership fees and issue tax invoices.' C12P2
ET18	'[We] wanted to do something that wouldn't cost much more than Launchpad did in total, but allowed us to maybe employ some more people and maybe have a bit more independence in terms of some of the legalities over direct selling.' C14P1
ET19	'So for the business in the market.....if we want to make the break through, for example sign the formal business contracts with those clients, you have to have an independent entity, <i>your</i> company's entity, and set up a WFOE to sign with the new clients in China. Otherwise it is not very comfortable for us to sign a contract. If we still stayed in Launchpad we could only sign with the client from the UK mother company. And this will increase our time and costs. And so that's why we need to move out from Launchpad and have our own company.' C16P2

For informants C19P2, C15P2 and C7P2 respectively, a departure from the business incubator was required to boost their brand and image (20), show commitment to Chinese customers (21) and to make the commercial relationship clear (22). For C21P2 and C23P2, other external stimuli influenced decisions to set up a formal entity, such as rapid market growth or competitive activity requiring a change in strategic positioning (23, 24).

Table 7.5: Supporting quotations for exit triggers (4)

Code	Supporting Quotation
ET20	'Another is that your customer wants to see that you are serious, that you have your own dedicated small office that they can see.' C19P2
ET21	'We went in thinking in due course we want a Representative Office, but we wanted to get more of a feel for it first. So I think that it was on the cards that if we were creating the right sorts of dialogues in China, which we seemed to be doing, then the next logical step to show commitment and show our Chinese audience, as it were, that we were serious about China and that we were intending to be around and not dip in and out and so on, was a Representative Office.' C15P2
ET22	'There will be confusion, because more and more customers - they raise this question - are we buying from [Case Study 7], or from CBBC? So at the time we do need to establish our own brand and image for our local customers here. We have to tell our customers, yes, you're buying from [Case Study 7] - we invoice you in the name of [Case Study 7]. So that's quite important, I would say, at that stage.' C7P2
ET23	'In terms of timing, there was a change in strategy..... They think they need to do something in China because as time goes by, the Chinese market, you know, grows very fast. As a matter of fact faster than any other market in the world. And also their production has risen very, very rapidly. And now in terms of market value, China is number one in the market. So we needed to do something here..... the local competitors also grow very fast in terms of volume and also in terms of quality. So far, I would say that if you go back say 5 or 6 years, they are much smaller than [Case Study 21], but now they are even bigger than us' C21P2
ET24	'We understood that the business prospects in China were very attractive and we are confident that if we can register as a wholly owned company, we will make money within two or three years, and the business will grow up rapidly in China, because at that time more and more pharmaceutical research industries, they are moving from Europe or the US where the costs are very high, to Asia, especially to China, because the cost for staff, or the costs for property is much, much cheaper.' C23P2

Three informants (C12P1 C15P1 and C15P2) acknowledged that the business incubator had also played a role in assisting in the transition to the firm or organisation's own entity, whether this be in the form of introductions to qualified professional services (25) or in the actual set up of an office (26,27).

Table 7.6: Supporting quotations for exit triggers (5)

Code	Supporting Quotation
ET25	'We started in 2011 to think about moving away from CBBC and becoming a wholly foreign owned enterprise They were able to connect us with legal support, accountancy support, HR support, to ensure that we were able to be confident that we could establish a business in China, meeting all the legal obligations that we would have, in a very secure way really.' C12P1
ET26	'The support was more than just "here's all the stuff you need to get on with it. Here's a space in our office and all the rest of it, here's all the employment stuff taken care of". It was more that when the time was right they stepped in with a range of other support.' C15P1
ET27	'It may be worth saying CBBC made the transition very seamless - they also offer a facility to get your Representative Office set up. And that we were transitioning from one to another with their support was very, very constructive.' C15P2

In summary, exiting to set up an entity happened for four main reasons: (i) a larger team was required to service the market and the cost of business incubation had multiplied according to head count; (ii) business had been established and the market had been proven; (iii) a full service business license was required in order to conduct business from inside the market; (iv) in recognition of local customer needs or other external stimuli.

A summary of reasons for incubatees leaving the business incubation scheme can be found below, in Table 7.7. The need for a larger team (and related costs) ranked first, followed by the need for a business license. The fact that a commercial case has been justified, company image and strategic positioning were also factors.

Table 7.7: Reasons for exit from the Launchpad scheme

Rank	Reason for leaving	Incubatees	No. of Cases
1	Larger team required/cost	C7, C12, C14, C18, C19	5
1	Business license required	C7, C12, C14, C16, C19	5
2	Commercial justification	C7, C16, C18, C23	4
3	Brand/image	C7, C19, C15,	3
4	Strategic positioning	C21, C23	2

7.4.2 Exit trigger to withdraw from the market

For five incubatees, the exit from the incubator was not into a permanent investment mode, but rather was a *withdrawal* from having a presence on the ground in China. C6, a UK local government office, withdrew from the market because, during a reduction in public sector budgets, its international activities came under scrutiny and a presence in China could no longer be justified (28). C10, a firm of consulting engineers, was also affected by the global slow down. Its resultant change in strategy was to withdraw from the Chinese market completely and focus on other markets (29). In a similar vein, C24 found itself commercially over-stretched and had to pull back from China to concentrate on existing and newly acquired operations elsewhere (30). C13 was a consortium of four firms focusing on the airports sector, which received UK government funding as part of an export promotion programme. When this funding came to an end, two of its number left the China market and two remained active via existing operations (31).

Finally, C17, a university, wished to terminate the relationship with an employee who was not performing, and decided to leave the scheme whilst continuing to coordinate its partnerships with Chinese universities from the UK (32).

Table 7.8: Supporting quotations for withdrawal

Code	Circumstances surrounding withdrawal
ET28	'So I think everywhere [in the organisation], in a sense, is competing for attention in terms of time and resources. And I think that was the case when we started in China, and I think absolutely that's even more the case now, as the impact of public sector budget reductions come in and the challenges of operating as a local authority but also with other partners. We [did a] review of all our international activity across the board ... what our investment is going in and what is our return coming out and where do our priorities need to be in a sense of moving forward.' C6P1
ET29	'The broader circumstances were just the overall economic climate we found ourselves in, in the UK, really. There was very large pressure on managing costs. There are very considerable pressures, like most companies in the UK, on cost control at the moment. The colleagues who were principally in charge of the China initiative were made redundant and thus the associated costs with the China business fell victim to that.' C10P1
ET30	'We have found it very difficult to get funding. In terms of our development, we stretched ourselves.....we bought a new factory, acquired a shareholding in another subsidiary, developed a North American operation, had some bad luck with some contracts and then had to prioritise. Unfortunately, China was always deemed, at the time, a bridge too far.' C24P1
ET31	'UKTI withdrew its portion of the funding. A couple of the companies decided that it wasn't for them, although the relationships among those four were such that they continued to work together even though they couldn't justify the investment. And I actually took the then two (local managers) into our general business as full-time people. So they did jump back into our organisation in Beijing and were integrated into that.' C13P1
ET32	'It wasn't Launchpad so much; it was that we decided that we didn't want to work with that particular employee anymore. The exit costs were high because she was expecting a baby and the rules in China are very much on the side of the employee there.....And Launchpad was brilliant. We didn't have to go into any of the negotiations. They did everything on our behalf... And no way did we pull out of China, and we've since went on to get other business, but it was the employee we had to change. When she was expecting a baby we found that her performance diminished greatly and she wouldn't do any travelling or do some of the things we expected. Therefore it wasn't really worth us keeping on somebody at her particular level, when they weren't doing what we asked and it would have taken us months and months and months to train somebody else up, only to lose them again. So we thought it was probably the time to leave.' C17P1

In the above examples, the circumstances surrounding exit do not point to failure of the scheme *per se*. Rather withdrawal has been in response to resource constraints (ET28, ET29, ET30, ET31), or a break down in the relationship with a human resource (ET32). Table 7.8 shows that four out of five of the firms/organisations which withdrew from the scheme are still involved with the China market (C6, C13, C17 and C24). Only one is no longer active in China (C10).

7.4.3 Business incubation outcomes

Whilst this research focuses on the business incubation process rather than on business incubation outcomes, the exit from the business incubator is an event worthy of further discussion. In Section 2.2.9 it was noted that Hackett and Dilts (2004b) suggested that the first three of the following incubatee outcome states were indicative of success, whilst the last two indicated incubation failure:

- (i) The incubatee is surviving and growing profitably.
- (ii) The incubatee is surviving and growing and is on the path towards profitability.
- (iii) The incubatee is surviving but is not growing and is not profitable or is only marginally profitable.
- (iv) Incubatee operations were terminated whilst still in the incubator, but losses were minimized.
- (v) Incubatee operations were terminated, and the losses were large.

Using these 'outcome states' an analysis of the interview data shows that out of the nine incubatees which exited the incubator and progressed to a full market commitment, seven are experiencing the first outcome (C7, C12, C14, C18, C19, C21 and C23) and two are experiencing the second outcome (C15 and C16). Of the five firms/organisations which withdrew from the scheme (C6, C10, C13, C17 and C24), all fell into the fourth category.

When evaluating business incubation outcomes Voisey et al. (2006) distinguished "hard measures" (e.g. sales turnover, profitability, growth etc.) from "soft measures" (e.g. increased business knowledge and skills, more businesses awareness and increased client networking) and proposed that when 'soft measures' are taken into account, instances where incubatees do not appear to have benefitted or have failed according to 'hard measures' (e.g. the last two states referred to by Hackett and Dilts, above), may be viewed in a different light. Analysis of the data shows that all the incubatees, including those that withdrew from business incubation, may be considered as having benefitted from the perspective of soft measures.

The exit modes adopted by Launchpad graduates are summarised below in Table 7.9. Four incubatees exited into a Wholly Foreign Owned Enterprise mode, and four incubatees exited into a representative office mode. One entered into a hybrid arrangement, where a Chinese firm acted as 'employer' under a similar arrangement to Launchpad.

Table 7.9: Launchpad exit modes

Wholly Foreign Owned Enterprise	C7, C12, C16, C23
Representative Office	C15, C18*,C19*, C21*
Hybrid arrangement	C14

** Then subsequently set up a Wholly Foreign Owned Enterprise*

7.5 A review of the business incubation internationalisation experience

In this section, the overall journey to market entry, from entering to leaving the business incubator is examined. Immediacy of entry into the market was touched upon in Section 5.6.4 above, in relation to the foreign market entry decision. This analysis of the data is also used here, when reviewing the incubatees’ path to foreign market entry and is referred to specifically in Boxes 7.2 and 7.3 under the quotation code ‘DI’.

7.5.1 Speed of foreign market entry and full market commitment

Looking at the path to market entry, five informants (C4P1, C5P1, C7P1, C11P1, and C15P1) acknowledged that entry into China, or the move towards a full market commitment, would have been slower without the availability of Launchpad. Of these, informants from three current incubatees (C4P1, C5P1 and C11P1) explained that they would be moving slower in terms of penetrating the market, becoming distracted by other priorities nearer to home (1), being bogged down by discussions with advisers about alternative legal structures (2), or by the formalities and practicalities of setting up in China (3). For informants from two former incubatees (C7P1 and C15P1), the progress towards the final outcome would have been slower without the availability of the scheme, as market entry would have been more risky, costly and difficult to justify (4). For one informant the commercial case would have had to have been made first, before market entry was sanctioned by the shareholders (5).

Table 7.10: Supporting quotations for speed without business incubation

Code	Supporting Quotation
SW1	‘I think it’s fair to say we’d probably be moving slower. We might not have had the incentive to make as many trips as we have done. And given that we’re all very busy just looking after the domestic market at the moment and also given that it has to be fee earners that go out into country.’ C5P1

SW2	'So I could imagine that if we didn't have Launchpad we would still be spending hours worrying and talking about legal entity and structure, and probably involving Price Waterhouse or someone. And you know, it probably would have been more expensive and more worrying. So I think the Launchpad has helped us.' C11P1
SW3	'We would be probably going through the process of setting up a WFOE. We'd probably be 6 months behind [in terms of having a presence in market].... [Since] if you find premises, is there any work that needs to be done, on those premises? It would've probably taken more visits from us as well.' C4P1
SW4	'Well I think it would've been very difficult to see how we could have, at that time, justified what would have been a much larger amount of money to set up. I mean we might well have done it, but it would've been a much higher risk. I think, you know, a branch office, if you actually really costed it, would be at least double, probably triple that.' C7P1
SW5	'I don't think we would have got to the point of opening an office in China as soon as we did, because what would have had to have happened is that we would had to have generated sufficient business and demonstrated to the rest of the shareholders that there was value in taking what would have been a bigger risk and a bigger step. So I think it would have happened more slowly for sure.' C15P1

7.5.2 The accelerating function of business incubation

Case study interviewees were also asked whether the availability of the Launchpad scheme had influenced the speed of market entry. The immediacy and the availability of the scheme allowed firms and organisations to take a decision to enter China quickly. It gave one firm a 'button to press' (1) and to another a wagon to 'jump on' (2). Launchpad was seen by one informant as a 'facilitator', more so than an 'accelerator', in that entry would not have been possible without it (3). Overall Launchpad speeded up the process towards setting up a full presence in China by getting someone on the ground more quickly (4), developing the business more quickly (5), and ultimately helping the firm or organisation move to the next stage more quickly.

Table 7.11: Supporting quotations for acceleration function of business incubation

Code	Supporting Quotation
AF1	'So it definitely accelerates you in that sense, otherwise we might well have had that same discussion two years later. Or we still think we probably should have done something. Or [asked ourselves] have we left it too long and all those sorts of things. So it gives you a button to press, I suppose. So I can press this button, I know what it's going to cost me, I know pretty much what I'm going to get or at least I've got an expectation of what I'm going to get.' C1P2
AF2	Interviewer: 'One of the things I'm looking at is whether arrangements like this can actually shorten the timeline to profitable business. C7P1: I'm sure that's the case...I'm sure that's the case..... I'm <i>sure</i> that's the case.... The opportunity was there. We took it and ran with it. So it being there gave us the opportunity to jump on the bandwagon.' C7P1
AF3	Interviewer: 'Could it be said that the decision or outcome that we've been talking about has been accelerated by the use of Launchpad.' C9P1: 'I'd say not just accelerated, but that it could only have been possible through Launchpad..... Launchpad was actually the facilitator for it'.

<i>Table 7.11 Cont.</i>	
AF4	'I think Launchpad was still an accelerating process, definitely.....I think it got us in on the ground quicker, I think it moved us on to the next stage, the Representative Office, quicker.' C15P2
AF5	'So had there not been a Launchpad scheme available, we might have tried to run it from 6000 miles away for a bit longer. And then eventually I guess we would have been pushed through circumstance into a decision where we had to open the RO [Representative Office] and all of that time it would have meant that we didn't have someone on the ground. We wouldn't have developed the supply base as quickly as we did, having access to Launchpad. And that would have meant that we wouldn't have reaped the benefits. There would have undoubtedly been more costs with supplier failure, quality failure, suppliers not understanding what we wanted, us perhaps not conveying it so well as someone on the ground was able to.' C18P1

7.5.3 Summary of internationalisation experience findings

The analysis of the case study data shows that business incubation can be a quick and easy means to enter the market in comparison to other foreign market entry modes (see also Section 5.6.4, above), which would require more bureaucracy or negotiation to set up. The ability to have someone working for the firm or organisation on the ground, quickly and without delay, was acknowledged as a benefit.

As regards how business incubation can influence the overall speed of setting up an entity in China, three dimensions emerged from the data. Firstly, informants from five incubatees suggested that the move into the foreign market would be slower without the availability of the scheme. For an example, see Box 7.2, below.

Box 7.2: Path to foreign market entry - slower without business incubation

Case Study 7 is a manufacturer of anti-static equipment. C7P1 explained, 'the rationale for Launchpad was that it gave us a fairly immediate base in Shanghai, as we chose, surrounded by people who were pretty much experts in the market place, but had a particular drive to help support UK manufacturing' (DI13 in Table 5.20). The Chinese manager C7P2 explained that regular orders provided the impetus to exit the scheme, 'the most important factor was that we did sell more, and we have a more stable customer base with regular enquiries and regular orders. That means we do need [to set up] a company to deal with the daily activities, because for us, because we sell [Case Study 7] products not at a very high value, but we have quite a lot of orders to handle. Maybe you have several orders per day, but not that huge - maybe £1000 or £2000' (ET8). If Launchpad had not been available, C7P1 said, 'Well I think it would have been very difficult to see how we could have, at that time, justified what would have been a much larger amount of money to set up. I mean we might well have done it, but it would've been a much higher risk... I think, you know, a branch office, if you actually really costed it, would be at least double, probably triple that' (SW4). Furthermore C7P1 believed that such arrangements can shorten the timeline to profitable business, 'the opportunity was there and we took it and ran with it. So it being there gave us the opportunity to jump on the bandwagon.' (AF2)

Secondly, another five incubatees believed that business incubation accelerated their market entry. For an illustration, see Box 7.3, below.

Box 7.3: Path to foreign market entry - faster with business incubation

Case Study 18 sources office equipment and shop fittings for global markets. C18P1 explained the attraction to Launchpad. 'It was the only scheme I was aware of at the time that allowed us to employ someone, or to have someone employed on our behalf, that wouldn't have involved us directly employing and going through that bureaucratic rigmarole' (DI15 in Table 5.20). The firm exited the scheme on grounds that the volume of activity had increased significantly. C18P2 explained, 'we needed a team instead of two guys to run the sourcing activity' (ET5). C18P1 also explained, 'the main point was that the case for a presence of our own had been 'proven.' Had the scheme not been available, C18P1 said 'we might have tried to run it from 6000 miles away for a bit longer. And then eventually I guess we would have been pushed through circumstance into a decision where we had to open the RO [Representative Office] and all of that time it would have meant that we didn't have someone on the ground, we wouldn't have developed the supply base as quickly as we did having access to Launchpad and that would have meant that we wouldn't have reaped the benefits. There would have undoubtedly been more costs with supplier failure, quality failure, suppliers not understanding what we wanted, us perhaps not conveying it so well as someone on the ground was able to' (AF5).

Overall, analysis of the data points to business incubation helping to speed up a firm or organisation's set up in a foreign market, or precipitating market entry when otherwise it would have not been considered with any great seriousness (see also Section 5.6.5 on the catalyst function of business incubation).

7.6 Theoretical discussion on switch to a full market commitment

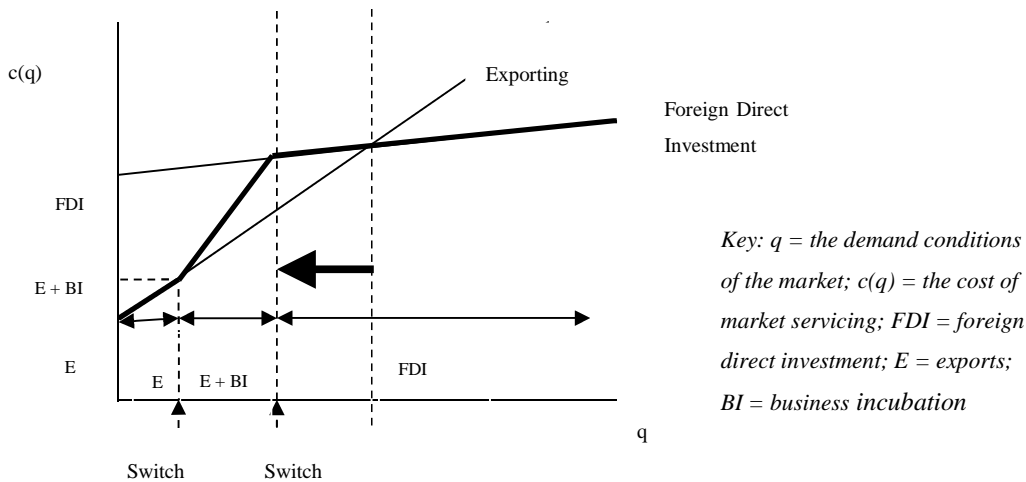
As mentioned above in Section 2.3.4, according to Calof and Beamish (1995) mode switching tends to occur following changes in constraints (resources or regulation) or perceptions of the market, or as a result of changes in mode costs and benefits. The nature of the switch which follows will depend on factors that include the nature of the stimuli, the firm's level of resources and the firm's experience and international skills. The stimuli for the switch from business incubator to next step market servicing mode have been outlined in Table 7.7, and include factors such as the need to grow an in-market team in order to fully take advantage of business opportunities after the market has been tested.

Weiss and Anderson (1992) have categorised two kinds of switching costs, namely 'take-down costs' and 'set-up costs' (see Section 2.3.4). While costs relating to entering and leaving the incubator have not been specifically analysed in this research, it may be gleaned that the 'set up

costs' (for entering the Launchpad scheme) are low (see e.g. DC1, DC2, DC3 and DC4, in Table 5.18), whilst the 'take down' costs (for leaving the scheme) are also perceived to be low (see e.g. RK32, RK33, RK34, RK35 and RK40 in Table 5.5). According to Pedersen et al. (2002), both take-down and set-up switching costs may lead to a postponement of a firm's switching to, for example, an FDI mode. Furthermore, more exporters may complete mode shifts in the absence of potential switching costs. We may assume that the low switching costs associated with entering or leaving business incubation will positively influence the speed and progress of a firm or organisation's foreign market entry.

Viewed through the lens of transactional economics, for three incubatees in this study (C7, C12 and C14; see ET1 to ET3 in Table 7.2) the decision to switch from business incubation to a fully invested or alternative presence in the market was stimulated by an increase in the cost of market servicing (in that the cost of operating two or more business incubation desks exceeded the cost of an alternative market servicing mode), along with an increase in actual sales whilst in the incubator. When these findings are integrated into Buckley and Casson's 1981 model of the timing of foreign investment, it may be illustrated (in Figure 7.1) that there is an increase in the costs of market servicing when exports are supported by business incubation (E+BI), and that subsequent to further increases in costs and an increase in the quantity exported, there will be a switch from the business incubation to a foreign direct investment mode. However, this switch comes at an earlier point than if the market was being served by exports alone, indicating that the switch to FDI occurs sooner when supported by business incubation.

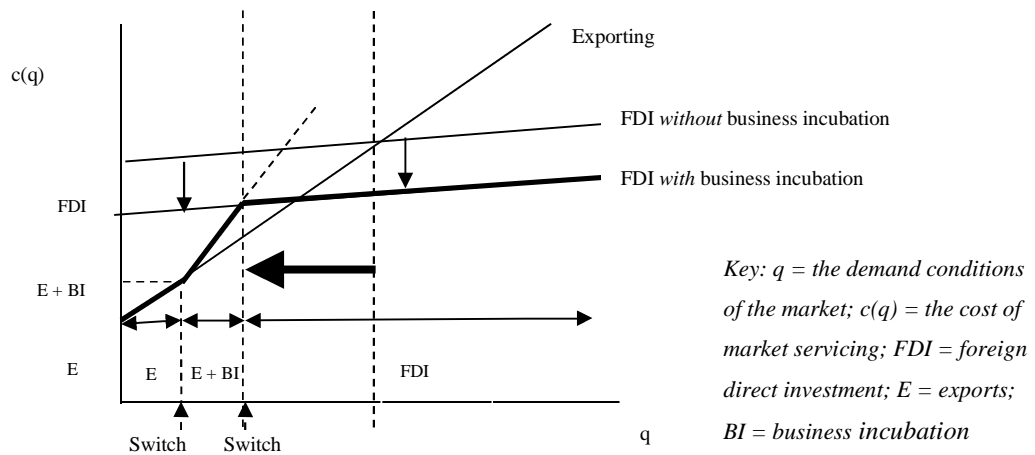
Figure 7.1: The switch from exports supported by business incubation to FDI (1)



Source: Adapted from Buckley and Casson (1981)

However, in view of earlier observations about how business incubation reduces the cost of commitment owing to its influence on risk and control (see Figure 5.2), and, moreover, that business incubation is able to reduce costs further by facilitating a firm’s development of networks, accumulation of knowledge and increase in credibility, it can be argued that a firm’s engagement with business incubation will reduce the overall cost of FDI. When this is included in the figure, the switch to FDI may be seen to have been brought forward, or accelerated, to a still earlier point (see Figure 7.2).

Figure 7.2: The switch from exports supported by business incubation to FDI (2)



Source: Adapted from Buckley and Casson (1981)

This notion of ‘acceleration’ is not new to the business incubation literature. As mentioned in the review of the business incubation literature (Section 2.2.7), an early study by Allan and Rahman (1985) found from a survey of 56 incubatee respondents that ‘slightly over half the firms (53.6%) changed their business strategy, and of the 26 firms that mentioned that their strategy had changed, 42% said that the incubator allowed the firm to *accelerate* plans and expand at a faster pace’ (p.19). The theme of acceleration has also been taken up by Smilor (1987b) in terms of how business incubation can ‘hasten’ a new company’s development. Grimaldi and Grandi (2005) have noted the role of private incubators in ‘accelerating’ the start-up process for highly promising entrepreneurial initiatives and practitioner oriented literature (e.g. Lewis, et al., 2011) has also defined a business incubator as “‘an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services”’(p.5).

So far, an analysis of the case study data has shown in Chapter 5 that business incubation can ease the decision-making surrounding foreign market entry, since it is able to provide a low risk, high control alternative to an immediate fully-fledged invested presence. Moreover, the Launchpad business incubation scheme can be entered quickly, with little bureaucracy. These two factors create the conditions for an accelerated foreign market entry.

As also mentioned in the review of the international business studies literature (Section 2.3.7), the importance of knowledge accumulation to a firm or organisation's further market commitment has been recognised (Johanson and Vahlne, 1977). Network relationships are also recognised as enabling firms to internationalize *per se* more rapidly (Coviello and Munro, 1997). Furthermore, Puck et al. (2009) have suggested that the appropriation of local knowledge during the initial market servicing mode will increase the chances that foreign firms will change their ownership mode after their initial entry into a foreign market. It is argued here that the infusion of knowledge and strengthening of networks and credibility during the business incubation process helps to reduce the overall cost of FDI and results in an acceleration in the foreign market commitment of firms.

It was also observed that some incubatees (e.g. C2, C11, C12 and C23) were *not* exporting or providing services to China at the time of entering Launchpad. However, in this scenario, in view of the observations on how business incubation influences the cost of commitment (see Figure 5.2), it is argued that the use of this method of foreign market entry will still decrease the overall cost of market entry owing to its role in reducing the costs of FDI (see Figure 7.3, below), despite any initial costs of using an international business incubator.

Figure 7.3: The switch directly from business incubation to FDI

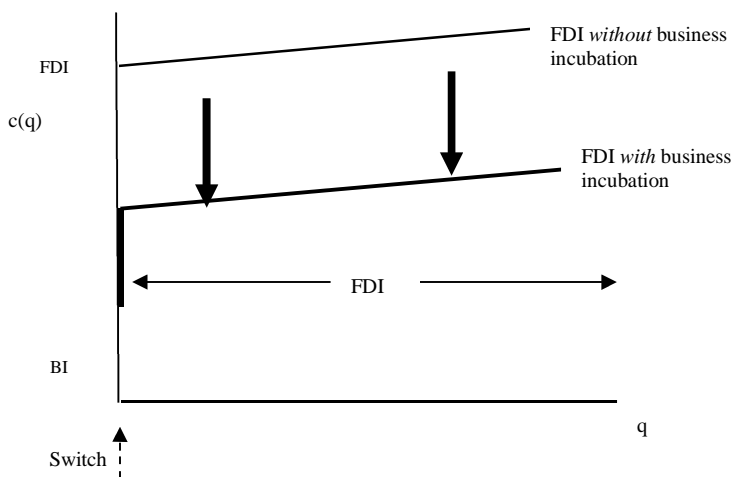


Figure 7.3 illustrates how a firm may begin with a presence in a foreign market using business incubation to support knowledge building and research (with no sales), before switching directly to Foreign Direct Investment (FDI). Here the illustration assumes that the use of business incubation has contributed to *decreasing* the start-up cost of FDI. (Key: same as in Figure 7.2, above)

Source: Adapted from Buckley and Casson, 1981

7.7 Chapter summary

In this chapter, the overall internationalization experience precipitated by business incubation has been examined. It has been found that business incubation in a foreign market entry setting can hasten a firm or organisation's move to an FDI commitment. This may be explained by one or more of the following four reasons:

1. Entry into business incubation schemes is immediate in comparison to other bureaucratic and resource demanding market entry methods (see Section 5.6.4).
2. Firms and organisations benefit from an infusion of knowledge accumulation and network expansion (see Section 6.5.3).
3. Entry and exit costs are low and do not inhibit mode switching (see Section 7.6)
4. Firms and organisations enjoy commercial wins which, when accompanied by higher costs (larger team) and a lower overall cost of FDI, bring forward the optimal time for mode switching to FDI (see Section 7.6).

It is now also possible to answer sub-research question 3: 'How do international business incubators change the international business experience of firms and organisations?' The main outcome is shown to be an accelerated progression to a full foreign market commitment (such as those exit modes shown in Table 7.9), based not only on the accumulation of knowledge and expansion of business networks, but also on the foundation of actual commercial benefits. The evidence for this is summarised below in Table 7.12, below.

Table 7.12: The international business experience of firms and organisations

Business incubation outcome	Support	No. of Cases
Accelerated foreign market entry	C1, C3, C4, C5, C7, C9, C11, C14, C15, C16, C18, C22, C23	13
Of which:		
Fast and immediate initial Market entry (Table 5.14)	C1, C3, C5, C7, C14, C15, C16, C18, C22, C23	10

<i>Table 7.12 Cont.</i>		
Of which (cont.) 'Market entry would have been slower without business incubation' (Table 7.10)	C4, C5, C7, C11, C15	5
'Market entry was faster with business incubation' (Table 7.11)	C1, C7, C9, C15, C18	5
Commercial gains during business incubation (Table 7.1)	C2, C3, C4, C7, C8, C9, C14, C15, C19, C20, C22	11

The next chapter will summarise the findings of this research, propose definitions and models to reflect its key insights and also further elaborate on the management and policy implications of this study.

Chapter 8: Conclusions

8.1 Chapter introduction

This chapter concludes this dissertation with a discussion about the main findings and implications of this study. In Section 8.2, the findings relating to this inquiry into how the business incubation process facilitates a firm or organisation's foreign market entry are summarised. In Section 8.3, there is a discussion about how the collective benefits of business incubation reduce liabilities of foreignness for incubatees. Thereafter, in Section 8.4, a definition for the international business incubator is developed and in Section 8.5, business incubation is positioned within the literature on foreign market entry theories and frameworks. In Section 8.6, a model for business incubation as a method of foreign market entry is derived from the research findings. The contribution of this research is explained in Section 8.7 and generalisability issues considered in Section 8.8. Finally, a number of managerial and policy implications arising from this study, along with limitations and suggestions for future research, are presented in Sections 8.9 and 8.10.

8.2 Summary of findings

This thesis began in Chapter 2 by explaining how, despite the emergence of international business incubators, business incubation as a method of foreign market entry has neither been acknowledged in the international business studies (e.g. Welch et al., 2007) nor in the business incubation literatures (e.g. Von Zedtwitz, 2003, Aaboen, 2009). Furthermore, according to Lewis et al. (2011), business incubation research has yet to provide a clear definition of, or theorising about, an international business incubator or to provide any empirical evaluation of business incubation as a foreign market entry mode. In short, within the extant literature there has been gap in understanding about how business incubation can facilitate the internationalization process of a firm or organisation.

This study adopts a critical realist epistemology and a multiple case study method which, through an abductive approach, advances new theoretical ideas that are able to provide an explanation for the business incubation process experienced by firms and organisations entering foreign markets. Informants from ten current and 14 former incubatees of a business incubation scheme called *Launchpad* have provided the data for this study. The overarching aim of this

study was to understand how the business incubation process can facilitate a firm or organisation's foreign market entry. A total of 47 decision-makers and managers were interviewed, along with three former CBBC managers. As explained in Section 3.5.2, the interview protocol was designed around three sub-research questions - namely (i) Why do firms and organisations choose to use international business incubators to help their foreign market entry? (ii) What benefits do firms and organisations gain from being in international business incubators? (iii) How do international business incubators change the international experience of firms and organisations?

Taking a deductive approach, seven themes generated from a review of the business incubation and international business literatures were viewed within the context of business incubation as a method of foreign market entry. These themes were:

1. Risk and control (Anderson and Gatignon, 1986, Root, 1998)
2. Decision making (Aharoni, 1966, Buckley et al., 2007)
3. Options thinking (Kogut and Kulatilaka, 1994)
4. Knowledge (Johanson and Vahlne, 1977, Johanson and Vahlne, 2009)
5. Networks (Coviello and Munro, 1997, Hansen et al., 2000)
6. Switching behaviour (Buckley and Casson, 1981, Pedersen et al., 2002)
7. Liabilities of foreignness/newness (Zaheer, 1995, Bøllingtoft and Uihøi, 2005, Johanson and Vahlne, 2009)

Insights were then derived inductively from within-case and cross-case analysis of the interview data and were integrated back into extant theory.

The findings show that firms and organisations using business incubation to enter an emerging market such as China, particularly SMEs, are not only able to benefit from a low risk market entry and operational mode, but can also enjoy a high degree of control over operational costs and in particular over a person deployed to work exclusively on behalf of the firm or organisation in the target market. For firms or organisations lacking confidence to make an immediate foreign investment commitment, the availability of the business incubation option is shown to be a catalyst in the decision to enter the foreign market.

The findings also show that during business incubation, firms and organisations are able to benefit from a period of knowledge accumulation generated through in-market research,

interactions with other incubatees and intra-firm familiarisation, and are able to build new and strengthen existing business networks. They are also able to ‘test’ the market and experience commercial benefits. Based upon these collective advantages, the foreign market entrants are then able to make a rational decision to exit the incubator and either adopt a permanent market servicing method, or withdraw from the market at minimum cost. In playing such a role, business incubation in effect serves as a ‘platform’ where foreign market entrants can consider their options on a future, deeper involvement in the foreign market. The findings of this study also reveal that the availability of this method of foreign market entry offers firms a fast and immediate means to enter the market and enables them to ‘accelerate’ their path to a permanent FDI presence.

From an analysis of the interview data, the sub-three research questions above concerning why do firms and organisations enter international business incubators, what benefits they get and what are the outcomes were answered specifically, with supporting evidence provided in rank order (see Tables 5.24, 6.23 and 7.12).

8.3 Business incubation reduces liabilities of foreignness

‘Liabilities of foreignness’ was positioned as Research Theme 7 in Section 2.4. This concept refers to the challenges and obstacles encountered by foreign firms entering new markets relative to well-embedded local companies (Hymer, 1976, Zaheer, 1995, Denk et al., 2012). Inadequate knowledge about a host country’s culture, norms, values and business practices (‘unfamiliarity hazards’) and a lack of embeddedness in local networks (‘relational hazards’) are both forms of liabilities of foreignness (Eden and Miller, 2004). In Chapter 4 some typical liabilities of foreignness faced by foreign firms entering the Chinese market were discussed, and for incubatees in this study these were ranked as language and culture, company size and resources, brand awareness, bureaucracy and regulations and lack of knowledge in Section 5.2.3.

Both engagement in learning (Petersen and Pedersen, 2002) and relationship building (Johanson and Vahlne, 2009) are recognised as ways to *lower* liabilities of foreignness. According to Zaheer and Mosakowski (1997), as foreign firms become increasingly embedded in local information networks, the consequences of liabilities of foreignness decline over time. The business incubation experience analysed in Chapter 6, where the incubatee is shown as

benefitting from an infusion of knowledge and networks, reveals that business incubation as a method of market entry can reduce a firm or organisation's exposure to liabilities of foreignness.

An analysis of the data demonstrates that Launchpad acts much like a 'networked incubator' (Hansen et al., 2000) in that it can play an important role in introducing incubatees to external contacts (particularly government contacts), which are often the key to business development. There is also evidence (reported in Section 6.3.3) that association with the business incubator provides a firm or organisation with credibility (which in terms of institutional theory may be likened to a form of external legitimacy) - and thereby is able to help incubatees avoid 'discrimination hazards' (Eden and Miller, 2004), a liability of foreignness linked to being treated unfavourably by local stakeholders. Finally, there are some examples in the data of the incubator and incubatees working together to create the necessary all important relationships with local government (see also Section 6.3.3). Rice (2002) has viewed such behaviour as leading to the co-production of business assistance, which can in turn assist the firm or organisation in overcoming resource, competency and knowledge gaps – all shown as liabilities of foreignness for incubatees in Section 5.2.2.

As explained in the literature review (Section 2.2.6), Bøllingtoft and Uihøi (2005) have emphasised the role that business incubation has in addressing 'liabilities of newness' in domestic business settings, a term devised by Stinchcombe (1965) to describe the challenges faced by new organisations in terms of acquiring new skills, creating new roles, and developing credibility and new social ties with customers. The term 'liabilities of newness' resonates strongly with 'liabilities of foreignness'. The findings of this study therefore indicate that the collective benefits of business incubation can help a firm or organisation reduce liabilities of foreignness when entering a foreign market, in a similar fashion to how business incubation can help start-ups address liabilities of newness in purely domestic settings.

8.4 A definition for the international business incubator

From the findings of this research, and aided by existing definitions from the business incubation and international business literatures, it is now possible to develop a scholarly definition for the international business incubator, as called for by Lewis (2011).

According to Hackett and Dilts (2004b) a business incubator is:

‘A shared office-space facility that seeks to provide its incubatees (i.e. “portfolio-” or “client-” or “tenant-companies”) with a strategic, value-adding intervention system (i.e. business incubation) of monitoring and business assistance. This system controls and links resources with the objective of facilitating the successful venture development, while simultaneously containing the cost of their potential failure.’ (p.57)

The ‘international’ dimension of the international business incubator is a reference to its purpose i.e. which is to provide support (incubation) for firms and organisations (incubatees) to enter or service a foreign market. Young et al. (1989) have defined foreign market servicing as ‘those methods employed by companies to penetrate international markets’ (p.3), whilst Welch et al. (2007) have defined ‘foreign operation methods’ as ‘the institutional/ organisational arrangements that are used in order to conduct an international business activity, such as the manufacturing of goods, servicing customers, sourcing various inputs.....’(p.18).

In light of these existing definitions, and the findings of this research, it is proposed here that the international business incubator should be defined thus:

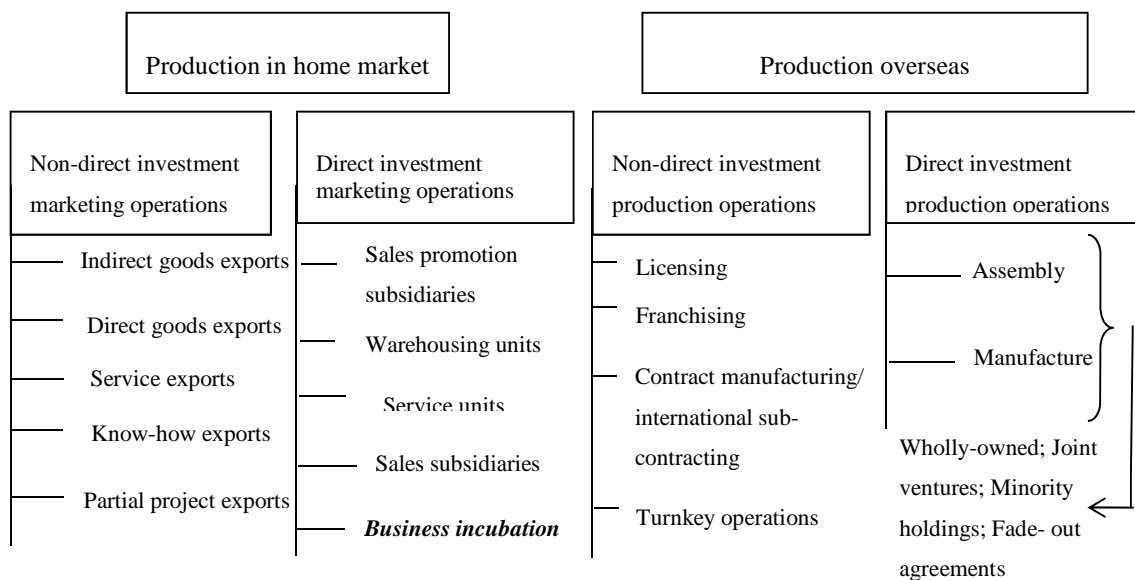
An international business incubator is a shared office-space facility located in a foreign market, which provides a low risk, high control platform for a firm or organisation (incubatee) to accumulate knowledge, build networks, ‘test’ a market and make a rational decision on a permanent means to conduct international business activity in that market, ultimately helping it to reduce liabilities of foreignness, contain the costs of potential failure and penetrate that market successfully.

8.5 Business incubation and foreign market entry mode frameworks

The review of the foreign market entry mode literature in Section 2.3.2 demonstrated that business incubation as a method of foreign market entry has not been considered by the academic community as an entry mode in its own right, nor put alongside or compared with the generic entry modes of export, licensing, and foreign direct investment. In this section, business incubation is positioned within existing foreign market entry mode frameworks and theories. Doing so provides further understanding about the distinctive characteristics of business incubation as a method of foreign market entry.

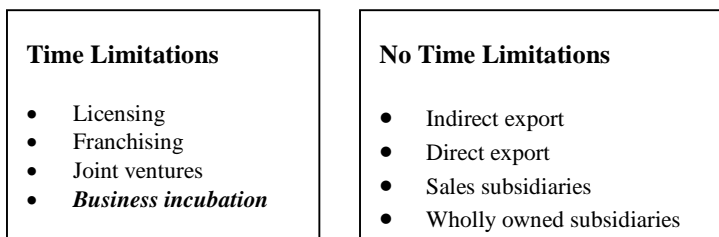
Firstly, in Luostarinen’s framework (see Figure 8.1, below), business incubation may be positioned as a ‘direct investment marketing operation’ located by an operator in a foreign market, providing firms or organisations (incubatees) with the ability to promote products (or services) produced in the home market. Secondly, Figure 8.2 shows how the international business incubator can be positioned in terms of the time limitation dimension. As mentioned in the Section 2.3.2, Young et al. (1989) have observed, that some modes, such as licensing, franchising and joint ventures, are subject to time limitations, whilst others such as export or wholly owned subsidiaries are not. By their nature, business incubation arrangements are limited by time, with firms or organisations either ‘graduating’ (and continuing to develop outside the incubator) or withdrawing from the market.

Figure 8.1: Forms of international market entry, with business incubation



Source: Adapted from Luostarinen (1980).

Figure 8.2: Time limitation dimension of market entry modes, with business incubation

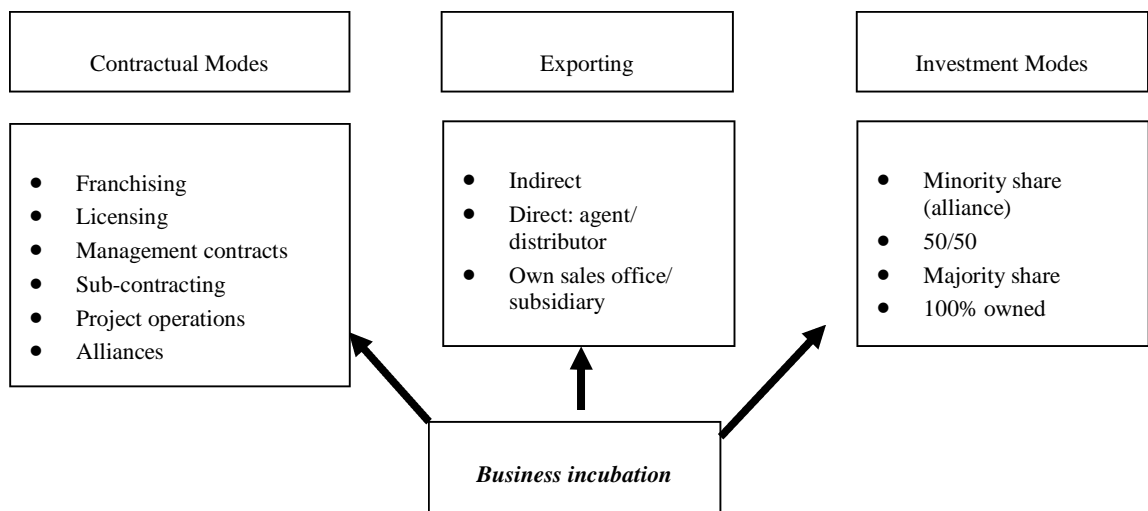


Source: Adapted from Young et al. 1989.

Welch et al. (2007) have already termed some foreign market entry modes (e.g. licensing or export) as potential ‘stepping stones’ to greater market commitment (see Section 2.3.3). Consequently, business incubation as a method of foreign market entry cannot lay exclusive claim to the label of ‘stepping stone’. However, it can be argued that international business scholars should now recognise a distinctive type of entry mode (i.e. business incubation) whose *sole* purpose is to act as a stepping stone (or spring board), and which when supporting or acting in combination with other modes, can help mitigate some of the challenges (e.g. relating to control, risk) experienced by other generic market servicing methods (see Section 2.3.3).

Figure 8.3 shows how business incubation as a method of foreign market entry can be positioned in Welch et al.’s framework (2007) as an independent mode, able to support or act as a stepping stone for other modes.

Figure 8.3: Business incubation as a stepping stone to foreign operation methods



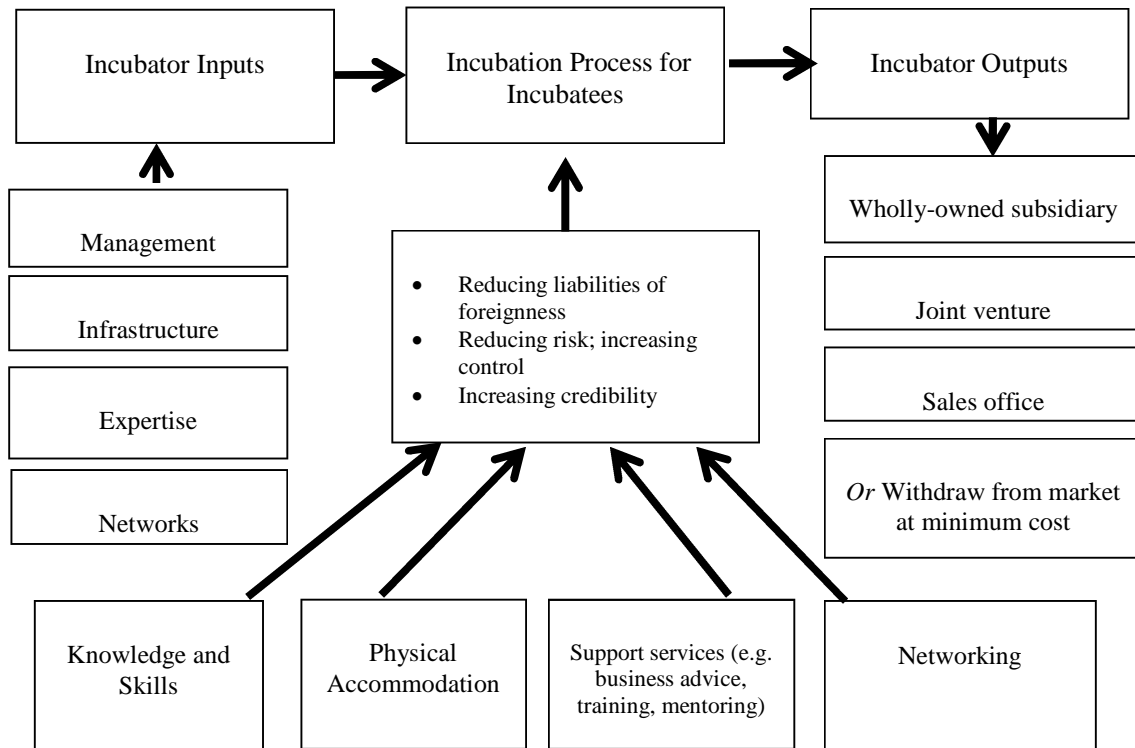
Source: Adapted from Welch et al. (2007).

8.6 A model of business incubation as a method of foreign market entry

An input-output model of the business incubation process by Costa-David et al. (2002) was referred to Section 2.2.5. Having defined the international business incubator, and in view of the

above research findings and theoretically based observations, Figure 8.4 adapts this model to consider the role of the international business incubator in the business incubation process.

Figure 8.4: The international business incubator: business incubation process



Source: Adapted from Costa-David al. (2002)

In the above model:

Inputs – In the case of Outward International Business Development Incubators (Li, 2009), these may consist of management, market expertise and subsidised infrastructure provided by the operator of the international business incubator, for example EPOs such as JETRO, Danish Trade Council and CBBC. In the case of Inward International Business Development Incubators, these may consist of subsidised infrastructure, preferential policies, or access to projects/investors or networks provided by the operator of the incubator, for example, regional government Inward Promotion Agencies, such as the US Market Access Centre and the Shanghai Technology

Innovation Centre. Privately run international business incubators may inject similar inputs, depending on their objectives.

Process – These are the mix of inputs, such as the infusion and acquisition of knowledge and skills, incubator accommodation, training, business advice, mentoring, technology support and networking which are experienced by the incubatees (foreign market entrants). This process helps firms to reduce risks and uncertainties and also reduce other liabilities of foreignness.

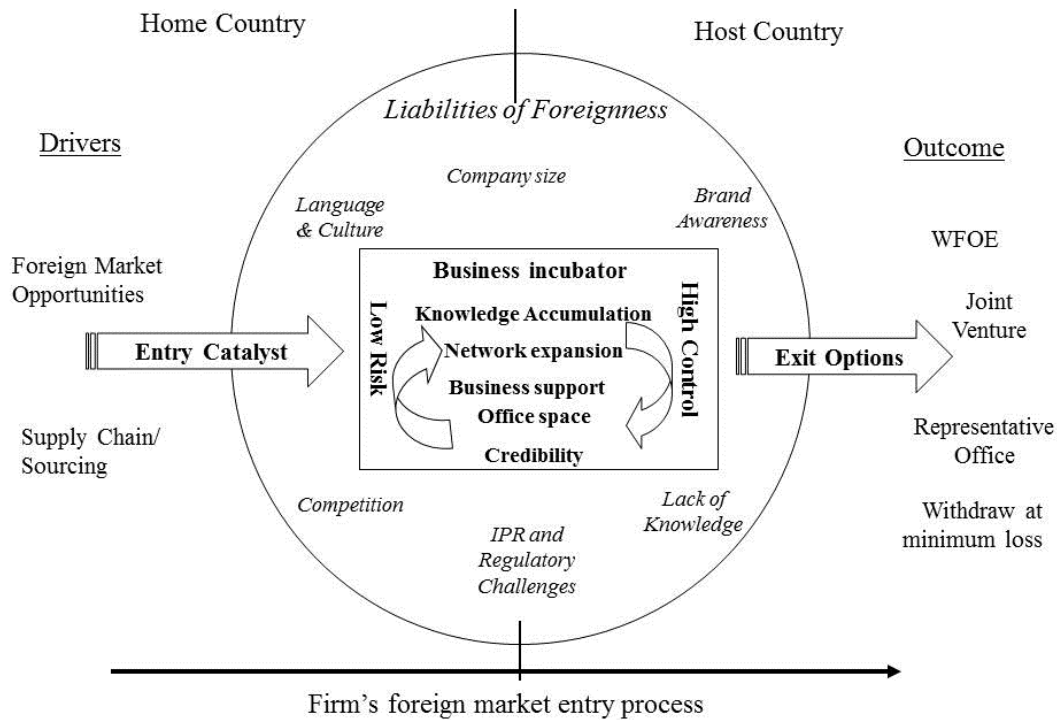
Outputs – These are operation modes which graduating firms adopt in order to penetrate the market (e.g. see Table 7.8), such as wholly-owned subsidiary, joint venture and sales offices. The withdrawal from the market at minimum cost may also be considered as an output.

However, this model does not adequately convey the business incubation process as experienced by the internationalising firm. This is better illustrated by the model presented in Figure 8.5 which is derived from the main findings of this research. This model conceptualises the internationalization process of the firm using business incubation as a method for its foreign market entry. The process begins with the external drivers to enter the market (see Section 5.2.1) and the decision to enter it, spurred on ('entry catalyst') by the availability of a low risk, high control arrangement, that straddles the border between home and host country.

Knowledge accumulation and networking building, along with physical space and business support, collectively help the firm or organisation to reduce liabilities of foreignness (as specified in Table 5.2 and discussed in Section 8.3) and build its confidence to the point where managers can make a rational decision on next step involvement (or 'exit option') to service the market. This may be, for example, setting up a wholly foreign owned enterprise, entering into a joint venture, or withdrawing from the market at minimum loss.

The business incubation process experienced by the firm reflects the dynamic, cumulative processes of learning and trust and commitment building as articulated in Johanson and Vahlne's 2009 model of the internationalization process (see Figure 2.8), although with business incubation this process is also able to take place within a low risk, high control environment. These collective benefits in turn are able to accelerate the firm or organisation's foreign market entry.

Figure 8.5: The international business incubation process



This section has concluded with the presentation of a model which utilises the findings of this research to convey how the business incubation process is able to facilitate the foreign market entry of a firm or organisation. In the next section the contribution of this research is considered.

8.7 Theoretical contribution of this thesis

This section discusses the contribution of this study to the business incubation and international business literatures.

8.7.1 Contribution to the business incubation literature

From the perspective of the business incubation literature, this thesis extends knowledge about business incubation into foreign market entry settings. Examining business incubation from the perspective of the foreign market entrant, the findings show how the benefits of business incubation for expansion in domestic markets, such as learning, network building, business

support and physical accommodation are still relevant to helping the firm overcome a number of challenges during foreign market entry. However, until now, the business incubation literature has been unable to provide a full explanation of the business incubation process as experienced by foreign market entrants.

This research shows how a deeper understanding of the business incubation process can be achieved by utilising themes extracted from the international business and international entrepreneurship literatures. These include decision-making (Aharoni, 1966, Buckley et al., 2007), mode switching (Buckley and Casson, 1981) strategic planning behaviours surrounding the entry into and exit from the business incubator (Kogut and Kulatilaka, 1994), and also how an infusion of knowledge and network building can accelerate the speed of a firm or organisation's market entry (Coviello and Munro, 1997, Johanson and Vahlne, 2009).

Since this type of business incubation has been ignored in the literature until now, developing a definition for the international business incubator and presenting a model to convey the business incubation process in a foreign market entry setting can be considered as a contribution to the business incubation literature. That business incubation, a support mechanism introduced to improve the survival and growth prospects of entrepreneurs and early growth firms in their domestic markets, is also applicable to the internationalization process of the firm, supports the view of Johanson and Vahlne (2009) that 'internationalization resembles entrepreneurship, and be described as corporate entrepreneurship' (p.1423).

Having considered how the application of international business theories can deepen our understanding of the business incubation process, the contribution of this research to the international business studies literature is now considered.

8.7.2 Contribution to international business studies literature

From the perspective of the international business studies literature, the findings of this study support 'internationalization process' explanations (see Section 2.3.7) of foreign market entry. For example, it has been found that the circumstances surrounding the decision to use business incubation as a method of foreign market entry accord with the views of Aharoni (1966) and Buckley et al. (2007), who both regard decision-making as a complex social process which involves several actors interacting with each other and is subject to the fears, insecurities and lack knowledge of those managers involved, e.g. see Section 5.6.2. Also, the market entry

progress of the incubatee during business incubation is found to be a gradual process, dependent on the accumulation of knowledge and the expansion of business networks, thus supporting the views of Johanson and Vahlne (1977, 2009) and Coviello and Munro (1997), e.g. see Sections 6.2 and 6.3.

At the same time, the findings of this study support explanations linked to the economic-strategy stream of theory (see Section 2.3.6). For example, the decision to enter the business incubator is also shown to demonstrate a firm's rational approach to risk and control (e.g. Anderson and Gatignon, 1986), e.g. see Sections 5.3 and 5.4; the business incubator is shown to provide a platform for the incubatee to build organisational capabilities and create real options, with a view to securing a long term pay offs (e.g. Kogut and Kulatilaka, 1994), e.g. see Section 5.5; and finally, the exit from the incubator (and the selection of a permanent market servicing mode) is shown to be based on rational-timely decision-making with an emphasis on cost and benefits (Buckley and Casson, 1981), e.g. see Section 7.6.2.

The main theoretical contributions to the international business studies literatures lie in the re-contextualisation of extant theories to take account of the research findings of this thesis. Firstly, business incubation is shown to alter the nature of the relationship between risk and control in favour of the firm, making it easier for it to shift to higher commitment modes (see Figure 5.2). Secondly, business incubation is shown to lower the cost of overall FDI as an incubatee firm increases its knowledge, develops its networks and builds its reputation. This in turn pulls forward the timing of a switch to FDI (see Figure 7.2). Overall, business incubation is shown to act as an enabling force for rapid entry into a foreign market by facilitating knowledge accumulation, network relationship development and in-market coordination by a locally engaged manager,

A method of foreign market entry which facilitates a low risk and controlled foreign market entry process, and which can act as a stepping stone to a further, deeper commitment, is clearly distinct when compared to other generic methods, such as contractual, exporting and investment modes. Positioning business incubation as a method of foreign market entry within international business theories and frameworks, where it has hitherto been absent, may also be considered a contribution to the international business studies literature.

Denk et al. (2012) have stated that the application of theories beyond the domain of international business might offer new theoretical insights into liabilities of foreignness (LOF)

research. This study has extended LOF research into the domain of business incubation. In particular, it demonstrates how business incubation as a method of foreign market entry can help firms and organisations reduce the hazards and outcomes associated with LOF, helping to facilitate a controlled, low risk market entry. Business incubation is able to achieve this through the knowledge accumulation, networking and ‘insidership’ functions it provides to foreign market entrants.

8.8 Generalisability to other market settings

This study has examined business incubation within the context of a particular business incubation scheme in China. However, the UK interviewees were also asked to suggest the kinds of foreign markets where similar business incubation arrangements would be most effective and useful. An analysis of the data indicates that such arrangements are highly valued for ‘difficult’ or emerging market settings, indicating that the findings from this research may be generalizable to other market settings.

Five UK interviewees (C1P1, C2P1, C14P1, C15P1, C17P1) stated that business incubation arrangements are most suited to ‘difficult markets’ with significant differences in language and culture from the home country (in this case, the UK), or where there is difficulty in understanding local laws and regulations and assessing government institutions, or where a business person may feel totally unfamiliar with official versus unofficial ways of doing things. Some examples follow:

“I think especially with markets that are perceived rightly or wrongly to be quite difficult to enter, I think there are huge advantages [to business incubation]. You feel like you’ve got some support, someone you can turn to, if you need.” C2P1 (UK manager, water treatment systems supplier)

“When you're first starting seriously in a market, I think [business incubation] is a very good idea, especially where you have no knowledge about the laws and any regulations and taxes etc. So yes, I think we would use it again in perhaps other areas in that part of the world.” C17P1 (UK manager, university)

“You look at [Chinese government institutions] and think waaah that's all very difficult. I'll do something else. Whereas in the States, or even in a European country where you

don't know the language but you know a lot more about the culture and the legislative framework...you'd still be a bit wary of it and there will be stuff going on that you don't totally get, but you feel pretty comfortable. But in India, the bureaucracy... or in Russia...how do you deal with government agencies? You don't really know what's going on in Saudi Arabia or in Russia, or in India....I think that in India you would find it hard. It's slightly different, because I think you'd feel you understood what the actual official system was, but most things are done by an unofficial system, I suspect, and you wouldn't know where on earth to begin on that. [Launchpad has] certainly got higher value in those markets.” C1P2 (UK manager, drying equipment manufacturer)

Seven UK interviewees mentioned the suitability of schemes for emerging markets (C11P1, C13P1, C16P1, C19P1, C20P1, C21P1 and C23P1). While the United States or Europe may not merit such trade support infrastructure, such arrangements may be justified in other emerging markets or BRIC (Brazil, Russia, India and China) nations, plus the likes of Chile, Argentina or South Africa. These countries were acknowledged as being locations where there are high value opportunities (HVOs), but where governments are quite restrictive over foreign companies and on how they set up or enter the host market. Such markets were described by one firm as being at the extremes of the 'controlled' on the one hand or the 'chaotic' on the other. In such markets, desk-work or field visits are unlikely to be sufficient for understanding the market. Having someone on the ground is more effective. There is also a sense that whilst the market potential in these countries is not disputed, they are still perceived as risky propositions for revenue generation and therefore need to 'tested' prior to entry. To illustrate, three interviewees noted:

“I think Launchpad could be a relevant tool for use in other developing markets which are considered to be quite tough. You know, places like India, Brazil, Russia, South Africa....all the BRICS nations....Because we're doing business in all of these countries and we're running into all the same challenges. It's not any simpler or easy in Brazil for example, than it is in China.” C19P1 (UK manager, power generation equipment manufacturer)

“Where is this arrangement suitable? Places where language and culture is different and where the market has few international companies..... None of our [Chinese] customers had any footprint outside mainland China.... If I look around, India would be one of those I would consider, even though we've obviously got the British link. Exaggerating

for effect, if China is extremely controlled and India is extremely chaotic, they are at the extreme ends, whereas most of the countries we go to are somewhere in the middle, so you have a chance. But if you're either at the absolute chaos, or the absolute structured end, having a support platform around you is fantastic.” C16P1 (UK manager, telecommunications equipment manufacturer)

“It's emerging markets. That's the key I think. It's the fact that it's a big risk to take, just setting up your operation and assuming that you're going to generate enough income to run it, or enough revenue to run it. I mean a good example is India actually. We're doing very little water business in India, which is very surprising because it's now probably one of the biggest markets and because it was emerging at the time, or certainly over the last 5 years. We weren't brave enough I guess to decide to go ahead and set up our own operation, so that really makes it more attractive to test the water really, going through companies like CBBC.” C20P1 (UK manager, instrument manufacturer)

Overall the findings of this study show that a total of twelve incubatees considered business incubation benefits as being relevant to difficult or emerging market settings, which can give rise to liabilities of foreignness owing to the fact that firms are unfamiliar with the institutional differences between home and host country (Zaheer, 1995, Petersen and Pedersen, 2002, Eden and Miller, 2004).

8.9 Managerial and policy implications

The practical implications of these research findings fall into three main categories, namely those for managers, policy makers and business incubator operators.

8.9.1 Implications for managers

This study has found that business incubation as a method of foreign market entry is particularly suitable for SMEs. This section discusses the circumstances where managers should give consideration to choosing business incubation as a foreign market entry method.

As outlined in Table 5.1, firms experience pull or push factors for entering new foreign markets. However, the prospect of an immediate, fully-fledged market commitment is often regarded as too costly or risky for managers of SMEs. Business incubation is therefore suitable for

managers who are attracted to having a low risk presence in the market initially, with control over costs and a person 'on the ground' (see Section 5.4.2).

Managers often recognise the potential of a foreign market, but perceive their lack of market knowledge, business networks, credibility and brand awareness as being market entry barriers for the firm. The findings of this study show that these challenges can be reduced by the knowledge, network and credibility building attributes of business incubation (see Sections 6.2 and 6.3). Moreover, SME managers are often self-aware about how company size will affect its capability and credibility in the market place (e.g. see Section 5.2.2.6). This study has shown that association with an EPO-operated business incubator is able to help a firm 'punch above its weight' and make head-way in sectors that are, for example, dominated by government or large domestic firms (see quotations NL12 and NL13 in Table 6.19).

For conservative or risk-averse shareholders or owner-managers, the commercial case for an invested presence in a foreign market needs to be fully justified before any commitment is made. In such scenarios, business incubation provides an opportunity for a manager to 'test' or 'trial' the foreign market first and build up actual sales. In this way, a commercial case in favour of a next step commitment can be built up gradually (see Section 5.5).

Furthermore, business incubation is also a suitable method of foreign market entry for decision-makers who have not yet decided upon the most suitable market servicing method for their firm and therefore need a 'breathing space' for knowledge building about the alternatives, before making a final choice (see Section 8.2).

When selecting business incubation as a foreign market entry method, firms and organisations also need not be aware of its limitations. Firstly, managers need to recognise that business incubation is a temporary arrangement. Exit will eventually be brought about by the need to increase team size, modify the commercial model or enhance company image (see Table 7.7). In order to ensure maximise benefit from the business incubation arrangement, managers also need to ensure that the locally-engaged manager is supported fully from the home country (as indicated in Section 5.4.3).

8.9.2 Implications for policy makers

The findings in this study have shown that those foreign markets most suitable for business incubation are risky, 'difficult' or emerging market settings, such as China, India, Brazil or South East Asia (see Section 8.4). Presently these are the very markets that the UK government is encouraging its SMEs to enter (BIS, 2011). In the business incubation literature (Vedovello and Godinho, 2003), business incubators have been described as policy instruments to assist the performance of SMEs (see Section 2.2.8). The findings in this study now point to the effectiveness of business incubation in assisting SMEs to enter foreign markets.

Traditional export promotion instruments such as seminars and market research, and even occasional visits to the market through participation in trade missions and trade shows (see Section 2.3.8), are unlikely to be sufficient for helping firms and organisations make significant progress in these difficult markets. As the findings of this search have shown, even the use of agents and distributors to service such markets has its limitations (see Section 5.4.2).

Policy makers should therefore consider adopting business incubation arrangements as formal export support programmes to sit alongside policies that encourage firms, particularly SMEs, to enter emerging markets. Subsidised entry to business incubation schemes, or incentives, through, for example, tax credits could be offered to eligible firms. In the business incubation literature, the adoption of an incubatee selection process has been recognised as being favourable to business incubation success (Merrifield, 1987, Lumpkin and Ireland, 1988, Culp, 1996). A selection process for eligible firms should therefore be devised and coordinated by relevant government departments.

EPOs with overseas offices are well placed to offer effective business incubation schemes, since their existing credibility and connectivity in the foreign market has been shown in this research to be transferrable to incubatees (see Section 6.3.3).

8.9.3 Implications for business incubation operators

Now that the key benefits of business incubation as a method of foreign market entry have been identified (such as its low risk, high control advantages, along with its knowledge accumulation and network and credibility building attributes), business incubator operators are in a better position to promote and further enhance such benefits for their clients. Business incubator

services such as flexible accommodation, assistance with recruitment and administrative support have also been shown to be valued by incubatees.

There is now an opportunity to create and share good practice amongst international business incubators. Whilst standards have been benchmarked for Inward International Business Development Incubators in the form of the Soft Landings Designation of the National Business Incubator Association (NBIA, 2011), the same cannot be said for Outward International Business Development Incubators. In order for international business incubators to fulfil their potential as effective trade promotion policy instruments, some kind of accreditation scheme is desirable.

8.10 Limitations of this study and suggestions for future research

In this section some the limitations of this research are considered, along with suggestions for future studies.

Firstly, as acknowledged in Section 3.2.3 (on reflexivity and positionality), this research has been conducted with the researcher as not only participant observer, but also as an employee of the organisation operating the business incubation scheme under investigation. Despite measures taken to ensure an objective perspective (as outlined in Section 3.2.3), it is still possible that the status of the researcher may have affected the observations in this research along with how the findings on business incubation as a method foreign market entry have been conveyed. However, the aim of this enquiry was not to assess the effectiveness of the international business incubator or of the Launchpad scheme *per se*, but was rather to focus on the incubatees and their experience of the business incubation process. The possibility of bias is therefore further minimised.

It has been acknowledged by Sherman and Chappell (1998) and Barse (1998) that the creation of control groups to compare incubated and non-incubated firms and organisations is desirable in business incubation research. As emphasised above, this study has focused on understanding the business incubation process taking place within an international business incubator, rather than on evaluating the impact and outcomes of business incubation for internationalising firms and organisations, and so case studies of non-incubated firms and organisations were not included within the scope of this research. Nevertheless, it may still be argued that the lack of control groups is a limitation of this study.

Indeed, comparing incubated and non-incubated firms and organisations would certainly increase understanding about business incubation as a method of foreign market entry and contribute to discussions about its distinctiveness. The influence of business incubation on a firm or organisation's speed to profitable business and long term success in the market is also a topic worthy of further investigation, since this would also provide evidence about the effectiveness of business incubation.

This study focused on the use of business incubation as a method for entering the Chinese market, and, by referring to interview data, suggested that similar arrangements would be suitable for other emerging market settings. However, in order to defend a more robust generalisation of these research findings, future research needs to explore business incubation schemes in other markets where they currently operate (e.g. India, where schemes are presently operated by UK and Danish EPOs). A comparison of business incubation arrangements across other foreign markets will provide yet more valuable insight and evidence (leading to policy recommendations) into how business incubation is able to provide firms with a means to reduce their liabilities of foreignness.

This study has also investigated business incubation as a method of foreign market entry through one category of business incubator only, namely an Outward International Business Development incubator (Li, 2009), where the home country establishes an incubator abroad in order to encourage trade activity with or outward investment into a foreign country. A fuller understanding can be gained by also examining Inward International Business Development (IIBD) incubators, where the objective of stakeholders such as local government is to create jobs, facilitate technology transfer and attract inward foreign direct investment. With such research, the transferability of good practice from longer established IIBD incubators to newer OIBD incubators can also be considered.

The ownership of the business incubator is also important. The subject of this study is a business incubator operated by an EPO. However, other ownership forms, such as privately run, or equity based incubators are beginning to emerge. In time, a study of these other ownership types will also increase understanding of the business incubation phenomenon and its role in facilitating the internationalization of the firm.

The findings from this research are now available to stimulate and direct further interest and academic research into the role of the international business incubator, which has been shown to

be a new but important phenomenon able to help firms and organisations overcome the fears and challenges associated with entering new and unfamiliar markets.

List of References

- AABOEN, L. 2009. Explaining incubators using firm analogy. *Technovation*, 29, 657-670.
- ABRAMSON, N. R. & AI, J. X. 1997. Using guanxi-style buyer-seller relationships in China: Reducing uncertainty and improving performance outcomes. *The International Executive*, 39, 765-804.
- AERNOUDT, R. 2004. Incubators: tool for entrepreneurship? *Small Business Economics*, 23, 127-135.
- AERTS, K., MATTHYSSENS, P. & VANDENBEMPT, K. 2007. Critical role and screening practices of European business incubators. *Technovation*, 27, 254-267.
- AGARWAL, S. & RAMASWAMI, S. N. 1992. Choice of foreign market entry mode: Impact of ownership, location and internalization factors. *Journal of International Business Studies*, 23, 1-27.
- AHARONI, Y. 1966. *The Foreign Investment Decision Process*, Graduate School of Business Administration, Harvard University, Boston, Mass.
- AHLSTROM, D., BRUTON, G. D. & LUI, S. S. Y. 2000. Navigating China's changing economy: Strategies for private firms. *Business Horizons*, 43, 5-15.
- ALIBABA.COM. 2011. *Jetro Launches Business Support Centre In India To Promote Cooperation Between SMEs Of India and Japan* [Online]. Available: <http://news.alibaba.com/article/detail/international-trade-special/100376418-1-jetro-launches-business-support-centre.html> [Accessed 29 August 2011].
- ALLEN, D. 1988. Business incubator life cycles. *Economic Development Quarterly*, 2, 19.
- ALLEN, D. & MCCLUSKEY, R. 1990. Structure, policy, services, and performance in the business incubator industry. *Entrepreneurship: Theory and Practice*, 15, 61-78.
- ALLEN, D. & RAHMAN, S. 1985. Small Business Incubators: A Positive Environment for Entrepreneurship. *Journal of Small Business Management*, 23, 12-22.
- AMBLER, T., XI, C. & WITZEL, M. 2008. *Doing Business in China*, London, Taylor & Francis.
- AMCHAMCHINA. 2012. *China Business Climate Survey Report 2012* [Online]. Available: <http://web.resource.amchamchina.org/cmsfile/2012/03/26/c46fc22667c5eeb231748808a9244027.pdf>
- ANDERSON, E. & GATIGNON, H. 1986. Modes of foreign entry: A transaction cost analysis and propositions. *Journal of International Business Studies*, 17, 1-26.
- AUTIO, E. & KLOFSTEN, M. 1998. A comparative study of two European business incubators. *Journal of Small Business Management*, 36, 30-43.

- BANKS, J. A. 1998. The lives and values of researchers: Implications for educating citizens in a multicultural society. *Educational Researcher*, 27, 4-17.
- BARKEMA, H. G., BELL, J. H. J. & PENNING, J. M. 1996. Foreign entry, cultural barriers, and learning. *Strategic Management Journal*, 17, 151-166.
- BARTLETT, C. & GHOSHAL, S. 1988. Organizing for worldwide effectiveness: The transnational solution. *California Management Review*, 31(1), 1-21.
- BEAMISH, P. W. & INKPEN, A. C. 1995. Keeping international joint ventures stable and profitable. *Long Range Planning*, 28, 2-3.
- BEAMISH, P. W. & JIANG, R. 2002. Investing profitably in China: is it getting harder? *Long Range Planning*, 35, 135-151.
- BEARSE, P. 1998. A question of evaluation: NBIA's impact assessment of business incubators. *Economic Development Quarterly*, 12, 322-333.
- BECKER, B. & GASSMANN, O. 2006a. Corporate incubators: industrial R&D and what universities can learn from them. *The Journal of Technology Transfer*, 31, 469-483.
- BECKER, B. & GASSMANN, O. 2006b. Gaining leverage effects from knowledge modes within corporate incubators. *R&D Management*, 36, 1-16.
- BELL, J. 1997. A comparative study of the export problems of small computer software exporters in Finland, Ireland and Norway. *International Business Review*, 6, 585-604.
- BENITO, G. R. G., PETERSEN, B. & WELCH, L. S. 2009. Towards more realistic conceptualisations of foreign operation modes. *Journal of International Business Studies*, 40, 1455-1470.
- BENITO, G. R. G. & WELCH, L. S. 1994. Foreign market servicing: beyond choice of entry mode. *Journal of International Marketing*, 2, 7-27.
- BENTON, T. & CRAIB, I. 2001. *Philosophy of Social Science: The Philosophical Foundations of Social Thought*, Palgrave New York.
- BERNARD, A. B. & BRADFORD JENSEN, J. 1999. Exceptional exporter performance: cause, effect, or both? *Journal of International Economics*, 47, 1-25.
- BIS 2011. Trade and Investment for Growth. In: SKILLS, D. F. B. I. A. (ed.). London: The Stationary Office.
- BOEH, K. K. & BEAMISH, P. W. 2012. Travel time and the liability of distance in foreign direct investment: Location choice and entry mode. *Journal of International Business Studies*, 43, 525-535.
- BØLLINGTOFT, A. & ULHØI, J. P. 2005. The networked business incubator - leveraging entrepreneurial agency? *Journal of Business Venturing*, 20, 265-290.

- BOURDIEU, P. & WACQUANT, L. J. 1992. *An Invitation to Reflexive Sociology*, London, University of Chicago Press Ltd.
- BRANSTETTER, L. G. & FEENSTRA, R. C. 1999. Trade and foreign direct investment in China: a political economy approach. *Journal of International Economics* Vol. 58(2), 335-358.
- BRIDGEWATER, S. & EGAN, C. 2001. *International Marketing and Relationships*, Basingstoke, Hampshire, Palgrave Macmillan Ltd.
- BRITCHAM. 2012. *British Business in China – 2012 Business Climate Survey* [Online]. Available: http://www.cbbc.org/guide/downloads/2012_china_business_climate_survey
- BUCKLEY, P. J. 1989. Foreign direct investment by small and medium sized enterprises: The theoretical background. *Small Business Economics*, 1, 89-100.
- BUCKLEY, P. J. 2007. The strategy of multinational enterprises in the light of the rise of China. *Scandinavian Journal of Management*, 23, 107-126.
- BUCKLEY, P. J. & CASSON, M. 1976. *The Future of the Multinational Enterprise*, London, The MacMillan Press.
- BUCKLEY, P. J. & CASSON, M. 1981. The optimal timing of a foreign direct investment. *The Economic Journal*, 91, 75-87.
- BUCKLEY, P. J., CLEGG, J. & TAN, H. 2006. Cultural awareness in knowledge transfer to China—The role of guanxi and mianzi. *Journal of World Business*, 41, 275-288.
- BUCKLEY, P. J., DEVINNEY, T. M. & LOUVIERE, J. J. 2007. Do managers behave the way theory suggests? A choice-theoretic examination of foreign direct investment location decision-making. *Journal of International Business Studies*, 38, 1069-1094.
- BUCKLEY, P. J. & GHOURI, P. N. E. 1999. *The Internationalization of the Firm: A Reader*, London, International Thomson Business Press.
- BUGLIARELLO, G. 1998. Knowledge parks and incubators. In: DORF, R. C. (ed.) *The Handbook of Technology Management*.
- BURGEL, O. & MURRAY, G. C. 2000. The international market entry choices of start-up companies in high-technology industries. *Journal of International Marketing*, 8, 33-62.
- BURKS, A. W. 1946. Peirce's theory of abduction. *Philosophy of Science*, 14, 301-306.
- BUTTERY, E. A. & WONG, Y. 1999. The development of a guanxi framework. *Marketing Intelligence & Planning*, 17, 147-155.
- CALOF, J. L. & BEAMISH, P. W. 1995. Adapting to foreign markets: explaining internationalization. *International Business Review*, 4, 115-131.
- CAMPBELL, C. & ALLEN, D. 1987. The small business incubator industry: micro-level economic development. *Economic Development Quarterly*, 1, 178.

- CAMPBELL, C., KENDRICK, R. & SAMUELSON, D. 1985. Stalking the latent entrepreneur: business incubators and economic development. *Economic Development Review*, 3, 43-49.
- CARAYANNIS, E. & VON ZEDTWITZ, M. 2005. Architecting gloCal (global-local), real-virtual incubator networks (G-RVINS) as catalysts and accelerators of entrepreneurship in transitioning and developing economies: lessons learned and best practices from current development and business incubation practices. *Technovation*, 25, 95-110.
- CAVUSGIL, S. T. 1984. Differences among exporting firms based on their degree of internationalization. *Journal of Business Research*, 12, 195-208.
- CBBC. 2011. *China-Britain Business Council Launchpad* [Online]. Available: http://www.cbcc.org/what_we_do/services/launchpad [Accessed 29 August 2011].
- CHANDRA, A., HE, W. & FEALEY, T. 2007. Business incubators in China: a financial services perspective. *Asia Pacific Business Review*, 13, 79-94.
- CHEN, H. & HU, M. Y. 2002. An analysis of determinants of entry mode and its impact on performance. *International Business Review*, 11, 193-210.
- CHEN, J., JINRONG, Y. & MIAO, Z. 2003. Business incubators in China. *International Journal of Entrepreneurship and Innovation Management*, 3, 67-77.
- CLARYSSE, B., WRIGHT, M., LOCKETT, A., VAN DE VELDE, E. & VOHORA, A. 2005. Spinning out new ventures: a typology of incubation strategies from European research institutions. *Journal of Business Venturing*, 20, 183-216.
- COLOMBO, M. & DELMASTRO, M. 2002. How effective are technology incubators? Evidence from Italy. *Research Policy*, 31, 1103-1122.
- CONTRACTOR, F. J., WOODLEY, J. A. & PIEPENBRINK, A. 2011. How tight an embrace? Choosing the optimal degree of partner interaction in alliances based on risk, technology characteristics, and agreement provisions. *Global Strategy Journal*, 1, 67-85.
- COOPER, C., HAMEL, S. & CONNAUGHTON, S. 2012. Motivations and obstacles to networking in a university business incubator. *The Journal of Technology Transfer*, 37, 433-453.
- COSTA-DAVID, J., MALAN, J. & LALKAKA, R. 2002. Improving Business incubator performance through benchmarking and evaluation: Lessons learned from Europe. *16th International Conference on Business Incubation, National Business Incubation Association*. Toronto, Canada.
- COVIELLO, N. & MUNRO, H. 1997. Network relationships and the internationalisation process of small software firms. *International Business Review*, 6, 361-386.
- COVIELLO, N. E. 2006. The network dynamics of international new ventures. *Journal of International Business Studies*, 37, 713-731.

- CREEL, H. G. 1964. The Beginnings of Bureaucracy in China: The Origin of the Hsien. *The Journal of Asian Studies*, 23, 155-184.
- CULP, R. 1996. A test of business growth through analysis of a technology incubator program. *Unpublished dissertation*. Atlanta: Georgia Institute of Technology.
- DANERMARK, B., EKSTRÖM, M., JAKOBSEN, L. & KARLSON, J. C. 2002. *Explaining society: Critical realism in the social sciences*, London, Routledge.
- DAVIES, H., LEUNG, T. K. P., LUK, S. & WONG, Y. 2003. Guanxi and business practices in the People's Republic of China. In: ALAN, I. (ed.) *Chinese Culture, Organizational Behavior, and International Business Management*. Westport, CT: Praeger Publications.
- DAVIES, K. 2012. Inward FDI in China and its policy context, 2012. *Columbia FDI Profiles* New York: Vale Columbia Center on Sustainable International Investment
- DENK, N., KAUFMANN, L. & ROESCH, J.-F. 2012. Liabilities of foreignness revisited: A review of contemporary studies and recommendations for future research. *Journal of International Management*, 18, 322-334.
- DIAMANTOPOULOS, A., SCHLEGELMILCH, B. B. & TSE, K. Y. K. 1993. Understanding the role of export marketing assistance: empirical evidence and research needs. *European Journal of Marketing*, 27, 5-18.
- DUNNING, J. H. 1993. Trade, location of economic activity and the multinational enterprise: a search for an eclectic approach. *The Theory of Transnational Corporations*, 1, 183-218.
- EASTERBY-SMITH, M., THORPE, R. & JACKSON, P. 2008. *Management Research*, London, Sage Publications Ltd.
- EDEN, L. & MILLER, S. R. 2004. Distance matters: Liability of foreignness, institutional distance and ownership strategy. *Advances in International Management*, 16, 187-221.
- EISENHARDT, K. M. 1989. Building theories from case study research. *Academy of Management Review*, 14, 532-550.
- EISENHARDT, K. M. 1991. Better stories and better constructs: the case for rigor and comparative logic. *Academy of Management Review*, 16, 620-627.
- ELANGO, B. 2009. Minimizing effects of 'liability of foreignness': Response strategies of foreign firms in the United States. *Journal of World Business*, 44, 51-62.
- ELLIS, P. D. 2010. Social ties and international entrepreneurship: Opportunities and constraints affecting firm internationalization. *Journal of International Business Studies*, 42, 99-127.
- ERIKSSON, K., JOHANSON, J., MAJKGÅRD, A. & SHARMA, D. D. 1997. Experiential knowledge and cost in the internationalization process. *Journal of International Business Studies*, 28, 337-360.

- EUROPEANCHAMBER. 2012. *European Business in China, Business Confidence Survey 2012* [Online]. Available: http://www.rolandberger.com.cn/publications/2012-05-29-Confidence_en.html
- FANG, S., TSAI, F. & LIN, J. 2010. Leveraging tenant-incubator social capital for organizational learning and performance in incubation programme. *International Small Business Journal*, 28, 90-113.
- FANG, T. 2006. Negotiation: the Chinese style. *Journal of Business & Industrial Marketing*, 21, 50-60.
- FANN, K. T. 1970. *Peirce's theory of abduction*, The Hague: Martinus Nijhoff, Springer.
- FLADMOE-LINDQUIST, K. 1996. International franchising: Capabilities and development. *Journal of Business Venturing*, 11, 419-438.
- FLETCHER, M. & HARRIS, S. 2012. Knowledge acquisition for the internationalization of the smaller firm: Content and sources. *International Business Review*, 21, 631-647.
- FLETCHER, M., HARRIS, S. & RICHEY JR, R. G. 2013. Internationalization Knowledge: What, Why, Where, and When? *Journal of International Marketing*, 21, 47-71.
- FRANCIS, J. & COLLINS-DODD, C. 2004. Impact of export promotion programs on firm competencies, strategies and performance: The case of Canadian high-technology SMEs. *International Marketing Review*, 21, 474-495.
- FRY, F. 1987. The role of incubators in small business planning. *American Journal of Small Business*, 12, 51-61.
- GASSMANN, O. & BECKER, B. 2006. Towards a resource-based view of corporate incubators. *International Journal of Innovation Management*, 10, 19-45.
- GRANOVETTER, M. 1985. Economic action and social structure: the problem of embeddedness. *American Journal of Sociology*, 91, 481-510.
- GRIMALDI, R. & GRANDI, A. 2005. Business incubators and new venture creation: an assessment of incubating models. *Technovation*, 25, 111-121.
- HACKETT, S. & DILTS, D. 2004a. A real options-driven theory of business incubation. *The Journal of Technology Transfer*, 29, 41-54.
- HACKETT, S. & DILTS, D. 2004b. A systematic review of business incubation research. *The Journal of Technology Transfer*, 29, 55-82.
- HAN, S. & WANG, W. 2014. WTO accession, impediments to FDI, and the market opening of basic telecom services in China. *China Economic Review*, 29, 68-81.
- HANSEN, M., CHESBROUGH, H., NOHRIA, N. & SULL, D. 2000. Networked incubators. *Harvard Business Review*, 78, 74-84.

- HARRIS, S. & WHEELER, C. 2005. Entrepreneurs' relationships for internationalization: functions, origins and strategies. *International Business Review*, 14, 187-207.
- HE, W. & CHANDRA, A. 2009. Technology business incubators in China: Designing a booster for economic transformation. *Enterprise Development and Microfinance*, 20, 45-60.
- HILL, C. W. L., HWANG, P. & KIM, W. C. 1990. An eclectic theory of the choice of international entry mode. *Strategic Management Journal*, 11, 117-128.
- HUGHES, M., IRELAND, R. & MORGAN, R. 2007. Stimulating dynamic value: Social capital and business incubation as a pathway to competitive success. *Long Range Planning*, 40, 154-177.
- HYMER, S. 1976. *The International Operations of National Firms: A Study of Direct Foreign Investment*, Boston, MA, MIT Press.
- INKPEN, A. C. & BEAMISH, P. W. 1997. Knowledge, bargaining power, and the instability of international joint ventures. *Academy of Management Review*, 22, 177-202.
- JETRO. 2011. *JETRO Business Support Center in Thailand (JETRO BSCT)* [Online]. Available: http://www.jetro.go.jp/thailand/e_activity/bscteng.html [Accessed 29 August 2011].
- JING, Y. C. & YING, M. A. J. 2012. A Blend of Encouragement, Discrimination, and Non-Transparency: An Analysis of China's New Catalogue for Guiding Foreign Investment. In: EVENETT, S. J. (ed.) *Débâcle: The 11th GTA Report on Protectionism*. London: Centre for Economic Policy Research (CEPR).
- JOHANSON, J. & VAHLNE, J.-E. 2003. Business relationship learning and commitment in the internationalization process. *Journal of International Entrepreneurship*, 1, 83-101.
- 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, 1411-1431.
- 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, 23-32.
- JOHANSON, J. & WIEDERSHEIM-PAUL, F. 1975. The internationalization of the firm: Four Swedish Cases *Journal of Management Studies*, 12, 305-322.
- JOHNSON, J. & TELLIS, G. J. 2008. Drivers of success for market entry into China and India. *Journal of Marketing*, 72, 1-13.
- JOHNSON, P. & DUBERLEY, J. 2000. *Understanding Management Research: An Introduction to Epistemology*, Sage Publications Ltd.
- KEUPP, M. M., BECKENBAUER, A. & GASSMANN, O. 2009. How managers protect intellectual property rights in China using de facto strategies. *R&D Management*, 39, 211-224.

- KNICKERBOCKER, F. T. 1973. Oligopolistic reaction and multinational enterprise. *The International Executive*, 15, 7-9.
- KOGUT, B. & KULATILAKA, N. 1994. Options thinking and platform investments: Investing in opportunity. *California Management Review*, 36, 52-71.
- KOTABE, M. & CZINKOTA, M. R. 1992. State government promotion of manufacturing exports: a gap analysis. *Journal of International Business Studies*, 23, 637-658.
- KURATKO, D. & LAFOLLETTE, W. 1987. Small business incubators for local economic development. *Economic Development Review*, 5, 49-55.
- LAI, P. 2002. Foreign Direct Investment in China-Recent Trends and Patterns. *China & World Economy*, Number 2, 25-32.
- LALKAKA, R. 1997. *Lessons from International Experience for the Promotion of Business Incubation Systems in Emerging Economies*, UNIDO, Small and Medium Industries Branch.
- LALKAKA, R. 2002. Technology business incubators to help build an innovation-based economy. *Journal of Change Management*, 3, 167-176.
- LALKAKA, R. 2003. Business incubators in developing countries: characteristics and performance. *International Journal of Entrepreneurship and Innovation Management*, 3, 31-55.
- LALKAKA, R. & ABETTI, P. 1999. Business incubation and enterprise support systems in restructuring countries. *Creativity and Innovation Management*, 8, 197-209.
- LARDY, N. R. 1992. Chinese Foreign Trade. *The China Quarterly*, 131, 691-720.
- LARDY, N. R. 1995. The role of foreign trade and investment in China's economic transformation. *The China Quarterly*, 144, 1065-1082.
- LAU, C. M. & BRUTON, G. D. 2008. FDI in China: What we know and what we need to study next. *The Academy of Management Perspectives ARCHIVE*, 22, 30-44.
- LEBLEBICI, H. & SHAH, N. 2004. The birth, transformation and regeneration of business incubators as new organisational forms: understanding the interplay between organisational history and organisational theory. *Business History*, 46, 353-380.
- LEHRER, M. & ASAKAWA, K. 2002. Offshore knowledge incubation: The "third path" for embedding R&D labs in foreign systems of innovation. *Journal of World Business*, 37, 297-306.
- LEWIS, D. A., HARPER-ANDERSON, E. & MOLNAR, L. A. 2011. Incubating Success, Incubation Best Practices That Lead to Successful New Ventures. United States of America: University of Michigan, Institute for Research on Labor, Employment and the Economy.

- LI, J. 2009. Overseas technology incubators for international entrepreneurship: A Chinese experiment. *The International Journal of Entrepreneurship and Innovation*, 10, 181-190.
- LU, J. W. & BEAMISH, P. W. 2001. The internationalization and performance of SMEs. *Strategic Management Journal*, 22, 565-586.
- LUMPKIN, J. & IRELAND, R. 1988. Screening practices of new business incubators: the evaluation of critical success factors. *American Journal of Small Business*, 12, 59-81.
- LUO, Y. 1998. Timing of investment and international expansion performance in China. *Journal of International Business Studies*, 29, 391-407.
- LUO, Y. 1999. Time-based experience and international expansion: the case of an emerging economy. *Journal of Management Studies*, 36, 505-534.
- LUO, Y., SHENKAR, O. & NYAW, M.-K. 2002. Mitigating liabilities of foreignness: Defensive versus offensive approaches. *Journal of International Management*, 8, 283-300.
- LUOSTARINEN, R. 1980. *The Internationalization of the Firm*, Helsinki, The Helsinki School of Economics.
- LYONS, T. S. Building social capital for sustainable enterprise development in country towns and regions: successful practices from the United States. First National Conference on the Future of Australia's Country Towns, LaTrobe University, Center for Sustainable Regional Communities, Australia, 29-30 June 2000.
- MARCH, J. G. & SHAPIRA, Z. 1987. Managerial perspectives on risk and risk taking. *Management Science*, 33, 1404-1418.
- MCADAM, M. & MARLOW, S. 2007. Building futures or stealing secrets? Entrepreneurial cooperation and conflict within business incubators. *International Small Business Journal*, 25, 359-377.
- MCADAM, M. & MARLOW, S. 2008. A preliminary investigation into networking activities within the university incubator. *International Journal of Entrepreneurial Behaviour & Research*, 14, 219-241.
- MENCIN, O. & ERIKSON, C. 2009. Silicon Valley's US Market Access Center: the incubator as a soft landing zone. *The International Journal of Entrepreneurship and Innovation*, 10, 233-241.
- MERRIAM, S. B., JOHNSON-BAILEY, J., LEE, M. Y., KEE, Y., NTSEANE, G. & MUHAMAD, M. 2001. Power and positionality: Negotiating insider/outsider status within and across cultures. *International Journal of Lifelong Education*, 20, 405-416.
- MERRIFIELD, D. 1987. New business incubators. *Journal of Business Venturing*, 2, 277-284.
- MIAN, S. 1994. US university-sponsored technology incubators: an overview of management, policies and performance. *Technovation*, 14, 515-528.

- MIAN, S. 1997. Assessing and managing the university technology business incubator: an integrative framework. *Journal of Business Venturing*, 12, 251-285.
- MIAN, S. A. 1996. The university business incubator: A strategy for developing new research/technology-based firms. *The Journal of High Technology Management Research*, 7, 191-208.
- MILLER, K. D. & TSANG, E. W. 2011. Testing management theories: critical realist philosophy and research methods. *Strategic Management Journal*, 32, 139-158.
- MINISTRY OF FOREIGN AFFAIRS OF DENMARK, T. T. C., ATLANTA. 2011a. *Accelerator: Are you ready for US* [Online]. Available: <http://www.dcatlanta.um.dk/en/menu/Accelerator/> [Accessed 29 August 2011].
- MINISTRY OF FOREIGN AFFAIRS OF DENMARK, T. T. C., INDIA. 2011b. *Danish Business Centre, Incubation Facilities in Bangalore and New Delhi* [Online]. Available: <http://tradecouncil.india.um.dk/NR/rdonlyres/9A6D3F2B-9E37-445B-A507-3E933C1E8E72/0/inkubationsbrochure2.pdf> [Accessed 29 August 2011].
- MOEN, Ø., GAVLEN, M. & ENDRESEN, I. 2004. Internationalization of small, computer software firms: entry forms and market selection. *European Journal of Marketing*, 38, 1236-1251.
- MORRISON, W. M. 2013. *China's Economic Rise: History, Trends, Challenges, and Implications for the United States*. Washington DC: Library of Congress, Congressional Research Service.
- MUNRO, H. J. & BEAMISH, P. W. 1987. Distribution methods and export performance. In: ROSSON, P. & REID, S. (eds.) *Managing Export Entry and Expansion: Concepts and practice*. University of California: Praeger.
- NAM, K.-M. 2011. Learning through the international joint venture: lessons from the experience of China's automotive sector. *Industrial and Corporate Change*, 20, 855-907.
- NBIA. 2011. *Soft Landings International Incubator Designation* [Online]. Available: http://www.nbia.org/member_services/soft_landings/index.php [Accessed 29 August 2011].
- NIU, Y., DONG, L. C. & CHEN, R. 2012. Market entry barriers in China. *Journal of Business Research*, 65, 68-76.
- NOLAN, A. 2003. Public policy on business incubators: an OECD perspective. *International Journal of Entrepreneurship and Innovation Management*, 3, 22-30.
- OVIATT, B. & MCDOUGALL, P. P. 1994. Towards a theory of international new ventures. *Journal of International Business Studies*, 25, 45-64.
- OVIATT, B. M. & MCDOUGALL, P. P. 2005. Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice*, 29, 537-554.

- PAN, Y., LI, S. & TSE, D. K. 1999. The impact of order and mode of market entry on profitability and market share. *Journal of International Business Studies*, 30, 81-103.
- PEDERSEN, T., PETERSEN, B. & BENITO, G. R. G. 2002. Change of foreign operation method: impetus and switching costs. *International Business Review*, 11, 325-345.
- PENG, M. W. 2000. Controlling the foreign agent: How governments deal with multinationals in a transition economy. *MIR: Management International Review*, 40, 141-165.
- PETERS, L., RICE, M. & SUNDARARAJAN, M. 2004. The role of incubators in the entrepreneurial process. *The Journal of Technology Transfer*, 29, 83-91.
- PETERSEN, B. & PEDERSEN, T. 2002. Coping with liability of foreignness: Different learning engagements of entrant firms. *Journal of International Management*, 8, 339-350.
- PHAN, P. H., SIEGEL, D. S. & WRIGHT, M. 2005. Science parks and incubators: observations, synthesis and future research. *Journal of Business Venturing*, 20, 165-182.
- PIEKKARI, R., WELCH, C. & PAAVILAINEN, E. 2009. The case study as disciplinary convention. *Organizational Research Methods*, 12, 567.
- PINSENTMASON. 2013. Doing Business in China. Available: <http://www.pinsentmasons.com/pdf/businessinchina.pdf>.
- PLOSILA, W. & ALLEN, D. 1985. Small business incubators and public policy: Implications for state and local development strategies. *Policy Studies Journal*, 13, 729-734.
- PUCK, J. F., HOLTBRÜGGE, D. & MOHR, A. T. 2009. Beyond entry mode choice: Explaining the conversion of joint ventures into wholly owned subsidiaries in the People's Republic of China. *Journal of International Business Studies*, 40, 388-404.
- RASK, M. & BØLLINGTOFT, A. 2008. The Export Incubator: Leveraging export assistance through networking? In: *3rd Aalborg University Conference on Internationalisation of Companies and Inter-cultural Management*. Rebild, Denmark.
- RICE, M. 2002. Co-production of business assistance in business incubators: an exploratory study. *Journal of Business Venturing*, 17, 163-187.
- ROOT, F. R. 1998. *Entry Strategies for International Markets*, Jossey-Bass, San Francisco.
- ROWLEY, J. 2002. Using case studies in research. *Management Research News*, 25, 16-27.
- RUGMAN, A. 1981. *Inside the Multinationals: The Economics of the Multinational Enterprise*, London, Croom Helm.
- SAXENIAN, A. 2002. Transnational communities and the evolution of global production networks: the cases of Taiwan, China and India. *Industry & Innovation*, 9, 183-202.
- SCARAMUZZI, E. 2002. Incubators in developing countries: Status and development perspectives. *infoDev Program, The World Bank, Washington DC*.

- SCHEIRER, M., NIEVA, V., GAERTNER, G., NEWMAN, P. & RAMSEY, V. 1985. *Innovation and Enterprise: A Study of NSF's Innovation Centers Program*, Rockville, MD, Westat, Inc. and National Sciences Foundation.
- SCHWARTZ, M. 2013. A control group study of incubators' impact to promote firm survival. *The Journal of Technology Transfer*, 38, 302-331.
- SEIDLER, J. 1974. On using informants: A technique for collecting quantitative data and controlling measurement error in organization analysis. *American Sociological Review*, 39, 816-831.
- SERINGHAUS, F. H. R. 1989. Trade missions in exporting: state of the art. *Management International Review*, 5-16.
- SERINGHAUS, F. H. R. & ROSSON, P. J. 1998. Management and performance of international trade fair exhibitors: government stands vs independent stands. *International Marketing Review*, 15, 398-412.
- SHARPSTON, M. 1975. International sub-contracting. *Oxford Economic Papers*, 27, 94-135.
- SHENG, S., ZHOU, K. Z. & LI, J. J. 2011. The effects of business and political ties on firm performance: Evidence from China. *Journal of Marketing*, 75, 1-15.
- SHERMAN, H. 1999. Assessing the intervention effectiveness of business incubation programs on new business start-ups. *Journal of Developmental Entrepreneurship*, 4, 117-133.
- SHERMAN, H. & CHAPPELL, D. 1998. Methodological challenges in evaluating business incubator outcomes. *Economic Development Quarterly*, 12, 313-321.
- SMILOR, R. 1987a. Commercializing technology through new business incubators. *Research Management*, 30, 36-41.
- SMILOR, R. 1987b. Managing the incubator system: Critical success factors to accelerate new company development. *IEEE transactions on Engineering Management*, 34, 146-155.
- SMILOR, R. & GILL, M. 1986. *The New Business Incubator: Linking Talent, Technology, Capital, and Know-how*, Lexington, Lexington Books.
- SPENCE, M. M. 2003. Evaluating export promotion programmes: UK overseas trade missions and export performance. *Small Business Economics*, 20, 83-103.
- STEWART, S. 1990. Where the power lies: A look at China's bureaucracy. In: CAMPBELL, N. & HENLEY, J. S. (eds.) *Joint Ventures and Industrial Change in China*. London: JAI Press.
- STINCHCOMBE, A. L. 1965. Organizations and social structure. In: MARSH, J. G. (ed.) *Handbook of Organizations*. Chicago: Rand-McNally.
- TEMALI, M. & CAMPBELL, C. 1984. *Business incubator profiles: A national survey*, Minneapolis, University of Minnesota, Hubert H. Humphrey Institute of Public Affairs.

- TOMIURA, E. 2007. Foreign outsourcing, exporting, and FDI: A productivity comparison at the firm level. *Journal of International Economics*, 72, 113-127.
- TÖTTERMAN, H. & STEN, J. 2005. Start-ups - business incubation and social capital. *International Small Business Journal*, 23, 487-511.
- TSANG, E. W. K. 1998. Can guanxi be a source of sustained competitive advantage for doing business in China? *The Academy of Management Perspectives*, 12, 64-73.
- UKIBC. 2014. Available: http://www.ukibc.com/business-services/ukibc_programmes/Launchpad.aspx [Accessed 23 March 2014].
- ULRICH, A. M. D. & HOLLENSEN, S. 2014. The Incubator Concept as an Entry Mode option for SME's. *Transnational Marketing Journal*, 2, 1-19.
- VANHONACKER, W. R. 2004. Guanxi networks in China. *China Business Review*, 31, 48-53.
- VEDOVELLO, C. & GODINHO, M. 2003. Business incubators as a technological infrastructure for supporting small innovative firms' activities. *International Journal of Entrepreneurship and Innovation Management*, 3, 4-21.
- VOISEY, P., GORNALL, L., JONES, P. & THOMAS, B. 2006. The measurement of success in a business incubation project. *Journal of Small Business and Enterprise Development*, 13, 454-468.
- VON ZEDTWITZ, M. 2003. Classification and management of incubators: aligning strategic objectives and competitive scope for new business facilitation. *International Journal of Entrepreneurship and Innovation Management*, 3, 176-196.
- VON ZEDTWITZ, M. & GRIMALDI, R. 2006. Are Service Profiles Incubator-Specific? Results from an Empirical Investigation in Italy. *The Journal of Technology Transfer*, 31, 459-468.
- WALTERS, P. G. P. & SAMIEE, S. 2003. Marketing strategy in emerging markets: the case of China. *Journal of International Marketing*, 11, 97-106.
- WEISS, A. M. & ANDERSON, E. 1992. Converting from independent to employee salesforces: the role of perceived switching costs. *Journal of Marketing Research*, 29, 101-115.
- WELCH, C., PIEKKARI, R., PLAKOYIANNAKI, E. & PAAVILAINEN-MÄNTYMÄKI, E. 2011. Theorising from case studies: Towards a pluralist future for international business research. *Journal of International Business Studies*, 42, 740-762.
- WELCH, L. S. 1999. Outward foreign licensing by Australian companies. In: BUCKLEY, P. J. & GHOURI, P. N. (eds.) *The Internationalization of the Firm*. 2nd Edition ed. London: South-Western Cengage Learning.
- WELCH, L. S., BENITO, G. R. G. & PETERSEN, B. 2007. *Foreign Operation Methods: Theory, Analysis, Strategy*, Cheltenham, Edward Elgar Publishing.

- WELDON, E. & VANHONACKER, W. 1999. Operating a foreign-invested enterprise in China: challenges for managers and management researchers. *Journal of World Business*, 34, 94-107.
- WU, X. & STRANGE, R. 2000. The location of foreign insurance companies in China. *International Business Review*, 9, 383-398.
- XU, L. 2009. Business incubation in China: Effectiveness and perceived contributions to tenant enterprises. *Management Research Review*, 33, 90-99.
- YAN, D. & WARNER, M. 2002. Foreign investors' choices in China: going it alone or in partnership? *Human Systems Management*, 21, 137-150.
- YAPRAK, A. 2012. Market entry barriers in China: A commentary essay. *Journal of Business Research*, 65, 1216-1218.
- YEUNG, I. Y. M. & TUNG, R. L. 1996. Achieving business success in Confucian societies: The importance of Guanxi (Connections). *Organizational Dynamics*, 25, 54-65.
- YIN, R. K. 2009. *Case Study Research: Design and Methods*, London, Sage Publications, Inc.
- YIU, D. & MAKINO, S. 2002. The choice between joint venture and wholly owned subsidiary: An institutional perspective. *Organization Science*, 13, 667-683.
- YOUNG, S., HAMILL, J., WHEELER, C. & DAVIES, J. 1989. *International Market Entry and Development: Strategies and Management*, Hemel Hempstead, Harvester Wheatsheaf.
- YU, C. H. 1994. Abduction? Deduction? Induction? Is There a Logic of Exploratory Data Analysis? *Annual Meeting of American Social Research Association*. New Orleans, Louisiana.
- ZAHEER, S. 1995. Overcoming the liability of foreignness. *Academy of Management Journal*, 38, 341-363.
- ZAHEER, S. & MOSAKOWSKI, E. 1997. The dynamics of the liability of foreignness: A global study of survival in financial services. *Strategic Management Journal*, 18, 439-463.
- ZAHRA, S. & GEORGE, G. 2002. International entrepreneurship: The current status of the field and future research agenda. In: HITT, M. A., IRELAND, R. D., CAMP, S. W. & SEXTON, D. (eds.) *Strategic Entrepreneurship: Creating a New Mindset*. Blackwell.

List of Abbreviations

CBBC	China-Britain Business Council
EPO	Export Promotion Organisation
EUEI	European Commission for Enterprise and Industry
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investment
HVO	High Value Opportunity
IBI	International Business Incubator
IIA	Inward Investment Agency
JETRO	Japanese External Trade Organisation
INV	International New Ventures
JV	Joint Venture
PRC	People's Republic of China
RO	Representative Office
SME	Small and medium-sized enterprise
UKIBC	UK India Business Council
UNDP	United Nations Development Program
UKTI	UK Trade and Investment
WFOE	Wholly Foreign Owned Enterprise
WOS	Wholly Owned Subsidiary

Appendix A: CBBC Launchpad Information Sheet

What is Launchpad®?

Launchpad provides a simple, cost-effective, low-risk and legal means of having a presence in China, *before* you set up your own office there. CBBC will employ a 'project manager' dedicated to helping you take your business forward in China.

Your Launchpad Manager

- Selected and managed by you, but employed and supervised by CBBC
- Accommodated in a well-established CBBC China office* with meeting rooms & call minding service
- Permitted to engage in business development, liaison and research, but (as a CBBC employee) not in direct business activities, such as concluding sales or collecting receivables
- Able to develop and share knowledge within a team of other Launchpad managers
- Employed for minimum period of 12 months; extensions negotiable
- Transferred to your company when you decide to set up your own operation

What are the advantages?

- Can be set up quickly and efficiently
- Provides a breathing space, allowing you to assess and develop your China strategy
- Enables you to test drive a key employee before company set-up
- No up-front investment costs
- Guidance and local knowledge from experienced local CBBC manager
- Progress reviews in China and UK
- After-care package, including advice and service to help with your next steps
- Free hot desk use within CBBC's office network*
- Offered since 1994; over 140 companies have 'graduated' under the scheme

The Costs

Annual management fee between ¥88,000 (£8,800**) and ¥168,000 (£16,800**) depending on location, plus running costs (salary etc.). See chart on the next page for indicative costs.

Next Steps CBBC will:

- Prepare job description
- Create a short list for interview
- Employ the individual through one of China's foreign enterprises service companies (FESCO or CIIC)

Launchpad is exclusive to CBBC Corporate Members

**Available in Beijing, Shanghai, Shenzhen, Chengdu, Wuhan, Qingdao, Nanjing, Hangzhou or Shenyang*

*** GBP1 = RMB 9.5*

Appendix B: Summary of Launchpad Statistics

An examination of CBBC's Launchpad records has shown that the majority of data in the following categories are available for 148 firms and organisations that have graduated since 1994:

- Company Name
- Sector
- Website
- Launchpad location
- Start date
- End date
- Post Launchpad Status (e.g. Representative Office, Wholly Foreign Owned Enterprise etc.)
- Contact details

As shown in sections below, this data yields important information such as the balance of incubatees engaged in manufacturing vs. services, the average time spent in the incubator and the percentage of companies that have maintained a presence in China since graduating from the scheme. The availability of such data indicates a strong foundation for carrying out this research.

Number of former and current users

Preliminary data shows that there has been 162 Launchpad graduates (see Table 3.1). In reality, there have been 148 discrete users, owing to 8 users being represented in more than one location. Nevertheless the figure of 162 will be used here as the base number for some initial analysis of Launchpad outcomes. Presently there are 24 Launchpad desks occupied by 21 companies. In some instances a company has more than one desk at the same location – these extra desks are not included.

Location of former and current users

Shanghai has been the most popular location for Launchpad (77 graduated and current users), followed by Beijing (72 graduated and current users). Shenzhen has had 17 users. There are single digit figures for Chengdu (6), Wuhan (6), Qingdao (3), Shenyang (3) and Nanjing (1).

Sector profile of former and current users

In Beijing, the balance of graduated users has been in favour of service providers 68.85% (42 out of 61), whilst in Shanghai the balance has been more in favour of manufacturers 55.71% (39 out of 70). With current users, the balance lies heavily in favour of services, with the education sector dominating – 65.21% (15 out of 23).

Overall, for graduated companies, the top four sectors (see Table 3.2) were engineering 14.20% (23 out of 162), building 12.35% (20 out of 162), education 12.35% (20 out of 162) and financial and

legal services 6.79% (11 out of 162). By sector, Beijing Launchpad was dominated by sectors known to be highly regulated, such as telecommunications (5 out of 6), power and energy (6 out of 7), agriculture (4 out of 4), healthcare (3 out of 3), airports (2 out of 2), oil & gas (2 out of 2). In Shanghai, Launchpad was well represented by industrial sectors, such as engineering and automotive – 65.5% (19 out of the 29 across China).

Average stay of users

The average (arithmetic mean) stay in Launchpad across all locations was 2.19 years (median 1.66 years). Average stays in Beijing (2.93 years; median 2 years) were longer than those in Shanghai (1.39 years; median 1.65 years). Some sectors, spent longer in Launchpad than others. For example, the average stay for education was 2.35 years, while for engineering it was 1.89 years.

Next step market servicing modes

68.75% of graduated firms and organisations (113 out of 162) have proceeded to set up a presence in China. The number of firms and organisations graduating and setting up in Beijing (48) and Shanghai (47) were broadly equal. However the progression rate in Beijing was 78.69% (48 out of 61), while in Shanghai it was 67.14% (47 out of 70).

Representative Office has been the most popular mode of post-Launchpad foreign servicing method – 76.11% (86 out of 113), followed by WFOE 18.58% (21 out of 113). The JV did not figure highly as a post-Launchpad entry mode (only 5 cases). In Shanghai there were more examples of WFOE being chosen as the next stage of market servicing - 29.79% (14 out of 47), when compared to Beijing - 6.25% (3 out of 48).

Non-progression

Of the graduated firms and organisations, 30.25% (or 49 out of 162) did not proceed to set up a presence in China. Of these 18.37% (9 out of 49) are no longer active in China (7 of these 9 were non-commercial organisations such as trade associations and government departments); 38.78% (19 out of 49) withdrew their physical presence but are still active; 36.73% (18 out of 49) of the firms and organisations had been either dissolved (12) or acquired (6) by other firms.

Preliminary evaluation

Once those companies which were dissolved or acquired (18) are taken into account, the progression rate can be said to have improved to 78.5% (113/144). If the number of discrete users (148) is taken as the base, and those companies acquired or dissolved (18) also taken into account, the progression rate rises further to 87% (113/130). Moreover, if the number of non-commercial users which withdrew and are no longer active in China (7) are also taken into account, the progression rate would improve further to 91.86% (113/123).

Summary	City	Graduated	Current	Total	Manu Graduated	Manu Current	Services Graduated	Services Current	Avr stay (yrs.)	Median
	Beijing	61	11	72	19	1	42	10	2.93	2
	Shanghai	70	8	77	39	2	31	5	1.39	1.65
	Shenzhen	17	0	17	9	0	8	0	1.97	1.7
	Chengdu	6	0	6	2	0	4	0	2.25	2.08
	Wuhan	5	1	6	4	0	1	1	3.56	2.75
	Qingdao	3	0	3	2	0	1	0	1.9	2
	Shenyang	0	3	3	0	0	0	3		
	Nanjing	0	1	1	0	0	0	1		
	Total	162	24	186	75	3	87	20	2.186	1.66
			Beijing	Shanghai	Shenzhen	Chengdu	Wuhan	Qingdao		
Status	Set Up	113	48	47	11	3	3	1		
	RO	86	44	29	10	2	1	0		
	WFOE	21	3	14	1	0	2	1		
	JV	5	1	3	0	1	0	0		
	Licensing	1	0	1	0	0	0	0		
	No Set Up	49	13	23	6	3	2	2		
	W	9	3	5	0	0	1	0		
	NPA	22	5	5	6	3	1	2		
	D	12	2	12	0	0	0	0		
	A	6	3	3	0	0	0	0		

Key: RO Representative Office; WFOE Wholly Foreign Owned Enterprise; JV Joint Venture; NPA No Presence but still Active in China; D Dissolved; A Acquired

Launchpad Analysis Table

Sector	No.	BJ	SH	SZ	Average Stay (yrs.)
Engineering	23	6	13	0	1.89
Building	20	4	9	4	2.1
Education	20	10	5	2	2.35
FL	11	3	4	3	1.43
Chemicals	8	1	4	2	1.54
Automotive	6	0	6	0	0.7
Food	6	2	2	1	2.48
IT	6	1	3	2	1.61
Telecommunications	6	5	1	0	1.88
Clothing	5	0	5	0	2.58
Power	5	4	1	0	2.08
Trade Promotion	5	4	0	0	8.2
Agriculture	4	4	0	0	
Biotechnology	4	2	2	0	
Business	4	0	3	0	
Metals	4	0	3	1	
Government	3	1	2	0	
Healthcare	3	3	0	0	
Inward Investment	3	0	2	1	
Airports	2	2	0	0	
Creative	2	2	0	0	
Energy	2	2	0	0	
Oil	2	2	0	0	
Environment	1	1	0	0	
Household	1	0	0	0	
Marine	1	0	1	0	
Mining	1	1	0	0	
Paper	1	0	1	0	
Recreation	1	1	0	0	
Textiles	1	0	1	0	
Tobacco	1	1	0	0	

Launchpad Sector Summary

Appendix D: Participant Information Sheet

Business incubation as a Method of Foreign Market Entry

Date: 8 January 2013

You are being invited to take part in a research project. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Do not hesitate to ask if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part. Thank you for reading this.

The background of this research

This research is being conducted by Giles Blackburne, who is a (part-time) PhD candidate at Leeds University Business School and an employee of China-Britain Business Council. The purpose of the research is to provide an understanding about the characteristics and effectiveness of 'international business incubators' (IBI). An international business incubator is a shared office-space facility located in a foreign market, which provides accommodation, business assistance and network access to firms and organisations wishing to enter that market, until such time as they feel able to leave and set up a permanent presence of their own.

Launchpad, the international business incubation scheme operated by the China-Britain Business Council, provides a market entry platform for UK companies wishing to set up in China. The scheme will be used as a case study for this research. You have been chosen as a potential participant in this research because your firm has had direct experience of the Launchpad scheme. Altogether, twelve firms and organisations will be invited to take part in this research and two participants from each firm will be interviewed. Participants from eight firms and organisations which have already left the scheme will be interviewed once, whilst participants from four firms and organisations still in the incubator will be interviewed up to 3 times each, in order to gain a better understanding of how firms and organisations learn about the foreign business environment during their time in the international business incubator.

Data collection for this research will take place between July 2012 and December 2013. It is expected that the findings will be written up and published by December 2014 and will be able to inform UK government policies relating to international trade support.

Your involvement in this research

Taking part in this research is entirely voluntary. If you decide not to take part, or subsequently withdraw at any time, there will be no penalty or loss of benefits to which you or your firm would otherwise be entitled (for example, as either a member or non-member of the China-Britain Business Council). If you do decide to take part, you will be given this information sheet to keep (and be asked to sign a consent form). You can still withdraw at any time and do not have to give a reason.

As a participant in this research, you will be asked to take part in an interview. Both former and present users of Launchpad will be interviewed once. Present users of Launchpad may also be invited to take part in a second interview upon exiting the Launchpad scheme. Interviews will last around 1 hour and will take place at your firm's premises, or at a location of mutual convenience. The environment will be informal. Interview questions will not follow a 'yes/no' format. Rather you will be asked to elaborate on your firm's experience of international business incubation in a frank and honest way. An interview protocol will be prepared and will be made available in advance. The

interview will address the main research questions, namely to ascertain why firms and organisations enter an international business incubator, what benefits they experience whilst in the international business incubator and what are the outcomes have been.

The interviews will be recorded and the audio used for analysis only. No other use will be made of the audio recording without your written permission, and no one outside the project will be allowed access to the original recording. Transcripts will be anonymised in the final report. The case study interviews in this research will be used to increase our understanding about business incubation as a method of foreign market entry.

Some topics in the interviews may be commercially sensitive to a firm. However, commercially sensitive information is not required in order for this research to be viable, and interviewees will not be pressed to provide such information. It can, however, be given voluntarily.

Risks and Confidentiality

The only risk involved in taking part in this study is the lost time taken to participate in the interview. Whilst there are no immediate benefits for participating in the project, you will be granted access to a report of research findings, which will include issues that may be of interest to your firm, such as how firms and organisations may overcome challenges in entering foreign markets. In the unlikely event that this research is cancelled before completion and the findings not written up, participants will be informed and the unused data disposed of.

All the information collected about you and your firm during the course of the research will be kept strictly confidential. The identification of you or your firm is not necessary for, and will therefore be anonymised in the final publication of this report. Data from the interviews will be stored on Leeds University's secure server, and will be also anonymised should any there be any need to analyse or transport it on unsecure drives. Should there be any intention to publish interim findings about you or your firm's experiences, or involvement in this research (for example in China-Britain Business Council's magazine, Focus), written permission will be sought first, and a draft of any statements made about your firm provided for your prior approval.

This research is funded partly by the researcher, Giles Blackburne, and partly by the China-Britain Business Council.

For further information contact: Giles Blackburne, Director, China-Britain Business Council, e-mail: giles.blackburne@cbbc.org

Thank you for participating in this research

You may keep a copy of this information sheet and, as well as a signed consent form

Appendix E: Interview Protocols

1. Interview Protocol (UK Manager)

Why do firms and organisations select business incubation as a method of foreign market entry?

- Q.1. Can you confirm that your products/services that your company is promoting in China are in the following areas....? Was your firm already exporting at the time of entering Launchpad and/or did it already have a presence in other overseas markets?
- Q.2. Tell me about how your plans for the Chinese market initially developed
- Q.3. At that time, what did you (and your firm) perceive to be the main challenges to entering the market?
- Q.4. What market entry options were you considering?
- Q.5. And did these options present any particular issues or risks?
- Q.6. Did any of these issues influence your decision to choose the Launchpad scheme?
- Q.7. Why did you select the particular Launchpad location?
- Q.8. Can you summarise why you chose the Launchpad scheme?

What are the benefits of the business incubation process as perceived by the firm?

- Q.9. How do you compare your knowledge about China now, to when you entered Launchpad? What do you attribute to this?
- Q.10. How do you compare your networks now, to when you entered Launchpad? What do you attribute to this?
- Q.11. Tell me about your Launchpad project manager and how he/she has influenced the building of market knowledge or business networks
- Q.12. Was your presence in Launchpad supporting export sales? Did your firm experience an increase in sales whilst in the incubator?
- Q.13. How have the costs of entering, occupying and leaving Launchpad influenced your overall entry and development in the Chinese market? Please explain the cost benefits.
- Q.14. Were there any drawbacks to being in the incubator?
- Q.15. How you think your firm's development in China would have been without Launchpad?

Q.16. Is the exit route from Launchpad becoming clearer? If so, do you think that this decision has been accelerated by your firm's presence in Launchpad?

Q.17. Are there any other issues you would like to mention that have not been covered in the interview?

POST LAUNCHPAD ONLY

What are the outcomes of business incubation for the internationalising firm?

Q.18. What outcomes do you attribute to having been in Launchpad?

Q.19. Upon leaving Launchpad, what foreign market servicing mode did you adopt for China? Why was that?

Q.20. Would such an outcome or timeline have been achieved without Launchpad?

Q.21. How is your business development in China progressing under the new market servicing mode?

Q.22. Looking back, how do you think the experience of Launchpad has influenced your development in China?

2. Interview Protocol (Chinese Manager)

Introduction

Q.1. Tell me about your current role.

Q.2. What do you consider to be the main market entry challenges for your Launchpad firm/organisation?

Q.3. What do you think about the prospects for this firm/organisation in the Chinese market?

Q.4. Why do you think your firm/organisation chose Launchpad instead of other market entry methods?

The benefits of business incubation

Q.5. How does your Launchpad firm/organisation's current knowledge about China compare to when it first entered Launchpad? How has your background or experience contributed to this?

Q.6. How do your Launchpad firm/organisation's current business networks in China compare to when it first entered Launchpad? How has your background or experience contributed to this?

Q.7. Has the firm/organisation's presence in Launchpad been supporting sales? Has the firm/organisation experienced an increase in sales whilst in Launchpad?

Q.8. How do you feel the firm/organisation's presence in Launchpad is influencing the firm/organisation's overall credibility or visibility in the market?

Q.9. How do you feel the Launchpad arrangement has influenced the way other staff members in your Launchpad firm/organisation view China?

Q.10. Are there any benefits or drawbacks to being amongst other Launchpad project managers

Q.11. Are there any drawbacks to being in Launchpad?

Q.12. Do you have a feel for what your firm/organisation's development in China would have been without this arrangement?

Q.13. What do you see as the next step for this Launchpad firm/organisation?

Q.14. Are there any other areas where you think Launchpad has influenced the progress of this firm/organisation?

Q.15. Can you summarise the benefits of using a scheme like Launchpad?

POST LAUNCHPAD ONLY

The outcomes of business incubation

Q.16. What outcomes do you attribute to having been in Launchpad?

Q.17. Upon leaving Launchpad, what foreign market servicing mode did your firm/organisation adopt for China? Why was that?

Q.18. Do you think such an outcome or timeline have been achieved without Launchpad?

Q.19. How is your business development in China progressing under the new market servicing mode?

Q.20. Looking back, how do you think the experience of Launchpad has influenced your development in China?

Appendix F: Sample Interviews

1. UK Decision-maker (Case Study 23)

INTERVIEWER: Perhaps we can start by your just telling me a bit about the services you were promoting at the point where you joined the Launchpad scheme.

C23P1: Well, basically we're a logistics provider to the pharmaceuticals, life sciences and bio technology sector. And when we were doing the Launchpad, we were looking to provide those services to customers in China, basically. So although at that stage we carried out shipments into China, we dealt with agents in China to receive shipments, and we carried out the odd shipment out of China, it was always on behalf of the customer that was outside of the country, so we wanted to take those services to customers in China.

INTERVIEWER: You could say that it was existing customer driven, wasn't it really?

C23P1: Very much so. So our largest customer is [Client Company xxx] and basically we had our quarterly business review with them in London, and they started talking about their plans to focus a lot of their research and development work in their new business in Shanghai. And basically we are their preferred supplier for specialist logistics services and as a result they said well look, what we'd like is for you to come to Shanghai and offer these services, but we're only prepared to give you that business if you actually have a location, an office in Shanghai. So that sort of spurred us to look at China, Shanghai in particular, and from then just to go and explore the market and see who else we could deal with in China.

INTERVIEWER: And what kind of challenges was that presenting you as a company then? I mean did you know much about China at that stage.

C23P1: No we knew very little to be honest about setting up a business in China. We knew a reasonable amount about shipping goods into and out of China, but not actually the whole setting up of a business in China. I'd got experience previously of setting up businesses in the Far East - in Singapore, in Hong Kong - generally the countries where it is a lot easier to set up, whereas China presented a really different challenge to us. We knew it was very different and it would probably be quite tough to get set up in China.

INTERVIEWER: And what sort of aspects, then? You say that China is different to other markets....can you expand a bit on the areas where you think China was particularly more difficult, so to speak?

C23P1: At that point you know, we understood that China in itself was a lot more closed, a lot less open to overseas businesses coming in to set up. I think that's certainly changed over time and has been changing for quite a few years now. So the general impression we had, without going investigating, was that the Chinese market would be quite closed. It would be quite tough for us to get approval to set a business up and there would be an awful lot of regulation that we would need to comply with in order to get to that point. So that was the main worry. And then of course all the currency worries. The basic thing, obviously I was aware of at that point was that the RMB wasn't traded outside China, so you know, how do you operate in China in RMB and then get currency into and out of the country. That was a concern.

INTERVIEWER: So faced with those issues, were you looking at any other options at the time about how to set up?

C23P1: Yes, I mean we did look at partnerships. And again the problem with that was that we didn't really have a trusted partner in China, so we would have been going and finding a new company to set up a partnership with. And again, that itself carries its own risks, particularly in our business. We end up training our partners to do the work that we can do and then there's very little stopping them just going off and competing directly. So we were very nervous really to go ahead with a partnership route, because of the risk to our business. And then obviously the other route was just going in and, just diving in and setting up a company. But again, our concern with that was, you know, understanding the market beyond what [Client Company xxx] could do and what they could offer us. You know, if we'd gone and set up a company and gone about doing that, we'd have been trying to do that from the UK with no contacts in China, so....Going back to the Launchpad scheme, it was a great opportunity to actually get to know somebody, an individual, get them working on our behalf in China and start to build up some knowledge of the market and actually what it was like to do that. Whilst it's turned out, you know, Kevin, who was on the Launchpad scheme is now our general manager, running our Chinese business and, you know, we've formed a strong relationship as a result of it, so....that's been good.

INTERVIEWER: So getting to know the market and getting to know the person was a key aspect before you could make a commitment.

C23P1: Absolutely, just getting some links and you know, and the Launchpad scheme at CBBC also provided some really useful links to other companies in China. So we could just go and talk to some people in China who were set up there, who were, you know, were international businesses operating in China and start to understand the whole landscape and process of setting up a business and so on.

INTERVIEWER: When you talk about that process of getting to know China, was the decision to use a scheme to use a scheme like Launchpad a board decision and were some of these issues discussed at board level? The reason why I ask is that sometimes a scheme like this can be considered a bit of a compromise, between those who want to just jump in and those that want to hold back.....and I wondered whether there was any dialogue...

C23P1: Yes, there was a lot of dialogue. This comes back to the ownership of [Case Study 23]. So at the time [Case Study 23] was owned by one individual, who held 87% of the shares and he was a very conservative person in terms of his approach to investment. So when we came back from our meeting with [Client Company xxx], two of us travelled out to China and met a few companies - met up with the people at CBBC and started to get quite excited about the opportunity. But one of the issues that we had was persuading our shareholder to invest and to take the risk to open a business in China. And we very quickly established that in order to operate in China, we would need to put some capital in to open a new business and he was very, very reluctant to put up any capital, particularly at the start. So what the Launchpad scheme allowed us to do was to have those discussions with him and agree with him that we could go in, almost sort of test the water with the Launchpad scheme, get somebody in the market. We could start talking with customers from the UK with someone on the ground and start to get more of a feel for the opportunity that was out there. So it was a really good half way house,

that allowed us to persuade the shareholder that we could take a little step towards entering the market without going the whole way and committing to a subsidiary company. And that became even more important when we started to understand the requirements for setting up a subsidiary, because for us to operate in China there was a minimum capital requirement of RMB5 million, which was something he balked at quite considerably. So yes, the discussions, I mean, we're a very small company with a reasonably limited hierarchy within the business. So entering China was immediately something which was discussed at board level. It was something that I was very keen on, so it immediately became a topic for the board. But the Launchpad scheme, it was also, as I said, was a matter for meetings between the directors and the shareholder.

INTERVIEWER: And I suppose the possibility that should you have wanted to pull out, and minimise the risk to doing so, that was obviously a factor?

C23P1: Yes, absolutely. That was a huge factor for him. So he was quite happy to sign off the expenditure to join the Launchpad scheme, and to recruit someone through the Launchpad scheme, because there was a limited exposure there and it did allow him that ability to say no, we're not going to go, you know we're *not* going to set up in China, without having risked or put up a huge amount of money.

INTERVIEWER: And it was in a sense, what we were saying before, a proving ground really...

C23P1: Yes, absolutely. I mean we couldn't *completely* prove what we wanted to do, because we were still operating as, you know, a UK business in China at that time.

INTERVIEWER: You mentioned before...was it solely the largest customer that was driving you to Shanghai, in particular?

C23P1: Well, that was the reason that we looked at Shanghai and as I said, two of us went over and sort of did a little bit of investigation and very quickly realised that there was a very strong pharmaceutical cluster where [Client Company xxx] was based in Shanghai and it was then a very quick decision to be honest to choose Shanghai, driven by the opportunity there and that's where [Client Company xxx] were locating their research base.

INTERVIEWER: And from what we were talking about before, can you summarise the key points, the most important things to [Case Study 23] in sort of defaulting to a scheme like Launchpad at the time?

C23P1: Yes, so it was risk reduction, so being able to get into the market and find out more without having to put that initial investment up front. It was the fact that we were new, very new to the market. We didn't have partners; we didn't have any other contacts really to go to. So CBBC, you know, were the sort of friendly organisation that could help us break in. I guess those were the two main things.

INTERVIEWER: And at the point of entering, did you already have a plan that you would exit in a particular structure or not, or was that whole part of it learning about what the exit mode might be?

C23P1: I mean that was certainly part of it. As I said at the start we were nervous about going into a partnership with anybody, but that wasn't out of the question when we first joined the

scheme and also, you know, we weren't a hundred percent sure as to exactly which structure we'd go down but ultimately because of our nervousness about partnerships, a wholly foreign owned enterprise made some sense. So it was probably our favoured option when we went in but we weren't closed to any other options.

INTERVIEWER: And onto the benefits or characteristics of the scheme when you were in it, I mean having taken on a person there, was the increase in comfort, or knowledge, or networks fairly instant, or was there a fairly gradual increase?

C23P1: It gradually increased over time and that did come from other areas as well, I mean to say it wasn't just the Launchpad scheme, it was also you know through UKTI, and actually through Cambridge Network, we picked up some contacts with other people, but you know it was a large part of that and it was over time, it didn't come immediately. It took time for Kevin to find his feet in Shanghai, to meet people, to get contacts and understand a bit more about how things worked.

INTERVIEWER: And what was Kevin's own role in that. Did he have the experience needed, or did he need to go through a period of his own learning.

C23P1: Yes, there was definitely a period of his own learning, although he did have experience working for international businesses in China. He had already done that once. So he certainly did bring some of that himself, but there was a fair amount of him (i) understanding our industry, which was reasonably new to him and (ii) finding out a little bit more about what was available and who was around.

INTERVIEWER: Whilst you were using Launchpad, was there an impact on actual business?

C23P1: Yes there was, so we were able to work with companies in China and carry out shipments on the basis that Kevin could go and talk to them and give them some confidence as to our ability to deliver what they wanted. And we also started working for [Client Company xxx], but billing them from the UK while Kevin was on the Launchpad scheme. So we picked up a fair amount of revenue straight away, which was a nice position to be in. We benefited....I think it paid for itself really, just by being able to show [Client Company xxx], right, we've made the first step in setting up in China. They were happy with the Launchpad scheme as a genuine step and on the basis of doing that were prepared to give us some business and start using us to ship through the UK business.

INTERVIEWER: That was going to be my next question actually. A kind of assessment of the cost benefits, for your company, of using a scheme like this. Upon entering, do you think it was an expensive scheme and did that modify as time went on, or....

We didn't see it, and I don't see it as an expensive scheme, no. I guess we were in a unique position having a customer there already, who was able to say, well look, you come and you do this, and we'll start giving you work, and we can make, in effect, as I said, make it pay for itself. But even then, I don't think it's expensive particularly.

INTERVIEWER: How about any drawbacks or disadvantages to using the scheme?

C23P1: I mean we would have loved to have Kevin effectively 'selling.' And obviously he couldn't do that as part of the scheme. And that was a drawback and something that pushed us towards being very keen to set up a company on our own. So we had to be very careful. We had to sort of comply with the rules and what he could and couldn't do. And sometimes that was frustrating, but entirely understandable at the same time.

INTERVIEWER: So really, an exit route became clearer as some of the constraints about being able to sell or not, or the size of the team, it started to become more apparent did it that it was about time to leave the scheme?

C23P1: Absolutely yes. I mean we were having to send sales people over from the UK to go and speak to customers in China, so that we could sort of legitimately sell and they would go along and travel round with Kevin and it became clear that he'd got the skills to do that himself, and it became pretty clear that we needed to restructure.

INTERVIEWER: So in a sense Kevin had been road-tested if you will and likewise the market opportunity had been road-tested.

C23P1: Yes, absolutely, yes.

INTERVIEWER: And how was that fed back to main share holder that had been conservative about it? What was ticking his boxes, in terms of the next step?

C23P1: Yes. So it was very much about the prospect list, we were able to build up a list of prospects already. We built up a potential book of business based on the Launchpad scheme and also we had a couple of customers who very clear in terms of their positioning, if we set up a company, then they would give us business. So that was a very powerful thing to take back to the owner. But ultimately, I think that, well I think the defining thing was him seeing the [Client Company xxx] business coming in, and working, and seeing things... we had a very good period when [C23P2] was there on the Launchpad scheme of actually delivering shipments without any real issue in China.

INTERVIEWER: One of the aspects I'm looking at is whether, under some circumstances, schemes like Launchpad can accelerate a company's entry into a market, in a sense that if the scheme hadn't existed, then the company wouldn't have taken a step into it. Do you subscribe to that view?

C23P1: I think it is quite possible, yes. I mean it's very hard to say what would have happened if the Launchpad scheme wasn't there. Very, very hard. It would have been extremely difficult for us to persuade the shareholder to make the investment, if it had just been a case of ok, we're going to have to set up a company, we're going to have to put in RMB 5 million, and there is no business coming in today, we haven't got a prospect list...you know it's very hard. We would probably have ended up trying to find a partner and, you know, it's impossible to tell how that would have gone. So, yes, I mean there is a significant probability that we wouldn't have entered the market if it hadn't been for the Launchpad scheme.

INTERVIEWER: Yes, I mean that partly answers my other question about, while it's impossible to say really, on balance, there may have been more hesitation perhaps from the UK side?

C23P1: Yes, it has to be on the balance of probability. Of course there's a probability that, you know, we could have found a partner who actually helped us accelerate even more, there's no doubt that was in that range of probability that existed. But on balance I would say it's pretty clear that without the Launchpad scheme it would either be more difficult in a sense to actually persuade the shareholder to enter the scheme or alternatively we just wouldn't have done it. We would have entered maybe, you know, in a different market, or not gone in at all.

INTERVIEWER: And how's the business progressing now in China?

C23P1: It's progressing really well. So after about 18 months of having left the Launchpad scheme, we achieved break even and we're now profitable in China. We've got about 75 companies on the books. It's still growing at about 50-60% per annum. And as I said, the big thing for us is that it's generating its own cash and it's profitable, which is fantastic.

INTERVIEWER: Was it a big thing for you to start to diversify the customer base, in so far as you might have had some international customers like [Client Company xxx]...to what extent have domestic Chinese customers been coming on stream?

C23P1: Quite significantly and that's been an important thing for us, is to pick up those customers. They don't tend to ship in quite the volumes as the international customers, but in terms of our business, we fit very well with those customers, because what we provide as very much a specialist in this field, is that expertise and knowledge and reassurance to someone who maybe isn't as skilled or as used to shipping internationally. So we could provide that to the Chinese customers. And as you say, it's allowed us to diversify our customer base. So I mean we still do probably...80% of our business in China is through the large multinational and global companies, but that 20% is very important and is growing.

INTERVIEWER: Another area I'm investigating...I mean we've spoken about decision-making, but I'm just wondering about learning within the company and what type of interface the other UK employees might have had with China, and whether there was a sense that they too were becoming acclimatised to dealing with a emerging, difficult market.

C23P1: I think it has really helped. And I think in seeing that what was originally seen as a very sort of scary place to go and do business is actually not that bad. These things can work. It's given certain people I'm sure more confidence about operating in other market which they've been scared about. It has helped us open our eyes a bit to cultures in the Far East as well. We've learned quite a bit about business culture in the Far East, having Kevin on board and having a team in Shanghai, which we would have struggled to get from elsewhere. So yes, I think there's been quite a lot of organisational learning out of it, well beyond just China.

INTERVIEWER: I learned from the interview with Kevin and just a moment ago, that you've been acquired, certainly since setting up the operation in China. Was there anything in the fact that you were in China that was making you attractive to somebody interested in acquisition?

C23P1: Yes to some extent. I think that's probably pushing it a bit too far. I think to some extent to be able to say look we operate in the UK, in Europe and in the Far East, so having that foot print if you want to call it that in the Far East was partly attractive, although the company that bought us...we have sister companies now in Shanghai and China...so they already had

something of a footprint out there. But I think going beyond just the acquisition, but to our customer base in general, being able to say here are our offices around the globe, that's been very powerful. It's also down to having 24 hour coverage, 24 hours in terms of office hours around the globe. So now with east coast and west coast of the States and Europe, and Shanghai, we're able to have a [Case Study 23] employee in an office 24 hours a day, you know to monitor shipments and answer customer queries and so on. So definitely of value, but I wouldn't say it wasn't necessarily a swing factor.

INTERVIEWER: From a policy perspective then, do you think that this kind of arrangement could be extended to other markets and what would be the characteristics of those markets where it would make it more useful?

C23P1: Yes, absolutely, I think it could be. And I think if you go back to, obviously look at the reasons why we went this way in Shanghai, so in countries where there is a perception amongst European and British, English companies that it's hard to do business in that certain location, where the government in that geography are quite restrictive over foreign companies on how they set up, on how they can get into that market place. Then I think absolutely that's key and as I mentioned, in our conversation earlier, Brazil, you know South America is something that fits that quite well.

INTERVIEWER: Are there any other particular issues that I may not have covered in the questions?

C23P1: I can't think of any to be honest. I think we've covered pretty much all angles.

INTERVIEWER: Ok, well that's great. Thank you.

2. Chinese Manager (Case Study 23)

INTERVIEWER: OK C23P2, can we begin by you explaining the role that you were playing for [Case Study 23], during the time you were in Launchpad, at CBBC.

C23P2: Actually I took the offer from [Case Study 23] UK to work as a project manager of [Case Study 23] based in CBBC Shanghai office at the end of 2008. At that time, the main reason [Case Study 23] hired me is that they've got big problems to coordinate their import shipments from other countries to China. Mainly it's because [Case Study 23] UK or US, our colleagues over there are not familiar with import regulations in China. And also they didn't find the right import broker in China. So actually when I took over this position, when I started investigation, I found that [Case Study 23] is paying much, much more charges to not very capable brokers in China. So it causes a lot of delay or sample damage, or customs hold in China. So the first 6 months, I have been looking for the right agent in Shanghai, to make the evaluation, do the training just to try and make [Case Study 23]'s import shipments cleared and delivered on time and also I am responsible for collecting the local regulations and laws of how to start [Case Study 23]'s business properly and in compliance in China. So yes, it's like I keep collecting information and keep reporting to [Case Study 23] UK. So finally, I think it's in September 2009 we finished the registration of an international forwarding company in Shanghai. The reason is that because [Case Study 23] is a courier company, so in China if you want to do the logistics or couriers you have to register as a company, so that you can issue the forwarding invoice to your local clients. So it's not like a you know....in China if you are a rep

office you can't issue invoices to your clients. So that's mainly the job that I have been working on in CBBC on behalf of [Case Study 23].

INTERVIEWER: Ok, that's very clear. Thanks. It sounds like from what you're saying, regulatory challenges were the main barriers to [Case Study 23] at the beginning. Is that fair to say?

C23P2: Yes, yes, it's very fair to say this. Because actually in [Case Study 23] UK and US now they understand that everything in China is different. So people from other countries cannot use their experience in China. So to understand the regulations is very, very important.

INTERVIEWER: Yes and also, it sounds like to some extent you were required to service existing customers of [Case Study 23]. Was there a brand issue as well around building up [Case Study 23]'s name in China for possible domestic Chinese company clients?

C23P2: Yes. Actually, because although before 2008 we didn't have any people or [Case Study 23] brand in China, but we do have some big clients - they have R&D centres in Shanghai or Beijing. So it means we still have regular shipments from UK, US to Shanghai and Beijing. So from the very beginning few local clients know [Case Study 23]. So it feels like out of the potential clients, only one kind know about [Case Study 23], because their headquarters are in the UK or US are already using [Case Study 23]. But most of the local potential clients, they have no idea about what [Case Study 23] is, because we have two competitors which have already entered the Chinese market, 10 or even 13 years before. So all the local clients when we visited them, they are all talking about what courier they're using and only few clients know [Case Study 23]. So in the early period it's really tough for me to do the marketing or do the branding. And the good thing is that CBBC is a very good platform. So CBBC use their influence, ability, to introduce [Case Study 23] to several big Pharma clients, which is very helpful to us.

INTERVIEWER: That's great and what's your understanding of why [Case Study 23] chose to use the Launchpad scheme, instead of, for example, just setting up a representative office, or just finding some other arrangement.

C23P2: I think the reason is that Launchpad allows us to make a trial entry to the target market in China, with much less risk and expense. If you want to open a rep office you still need to spend a lot of money for registration and you have to rent the office, you have to hire the correct person, all these things, and it takes an even longer time to start the business. But when [Case Study 23] UK chose Launchpad in CBBC, CBBC helps [Case Study 23] to make the initial interview to choose the right person. Like from the very beginning, from my point of view, they arranged like more than 10 candidates for [Case Study 23]'s position and do the first interview and maybe only have 5 to recommend to [Case Study 23]. Then [Case Study 23] sent their own director to do the second and third interview in Shanghai. So it's very helpful with saving time and cost for [Case Study 23] UK.

INTERVIEWER: During the one year that you were in Launchpad, how would you describe the increase in knowledge about China for [Case Study 23] and also the increase in customer networks or potential business networks during the period? Was it very rapid do you think, by having someone on the ground like yourself?

C23P2: Yes, definitely. I think from the point of view of [Case Study 23] UK, they find that immediately they have some people, I mean me, they have some people really familiar with import export regulations, all the shipping process, all the practice, and also because for me, sometime because CBBC has a very good relationship with government departments in China, so sometimes if there's some regulation which I am not very familiar with, CBBC could find the right person, so that I can talk. So, I think in that almost one year based in CBBC as a Launchpad, it's really like we accumulate a lot of regulation experience and knowledge.

INTERVIEWER: And just a moment ago, we were talking about visibility and the brand, can you make some comments about during the period in Launchpad, did it also contribute to raising the brand awareness for [Case Study 23] as well?

C23P2: Yes, definitely, because it's like every time I go to visit potential clients, my name card is a CBBC/[Case Study 23] project. So CBBC has a very good, I mean kind of reputation for the clients. They know that CBBC is an organisation to connect UK and China. So it did help me a lot to get the chance to talk with high level people.

INTERVIEWER: And how about your background? Obviously the success during the year in Launchpad had a lot to do with your own knowledge and experience. Did you come from a related background into this kind of work?

C23P2: Yes. Actually, my working experience is import export trading and logistics, but as you know [Case Study 23]'s services is totally different from general cargo. So it's more about biological pharmaceuticals, samples shipping, temperature control and it's more about how you understand the regulations not only in your own country but also in the destination countries. So in the period I worked in CBBC, the good thing is that I can easily get the support, not only with IT, but also from some...because CBBC they have some high level consultants, so they also have their experience in Australia, in UK, so I learned a lot from them as well.

INTERVIEWER: And you mentioned that prior to entering Launchpad, [Case Study 23] was having specific problems understanding the regulations. With your being there during the Launchpad period, was there an immediate change in understanding the market in so far as maybe increasing the business for the company and in serving its customers a bit better?

C23P2: Yes, definitely. Because it's all about localisation. Because for foreigners it's really difficult to understand what's the regulation in China, why you need to do this, why you need to do that. But they find a local person, find me, and I have the working experience in this industry so I can give very prompt advice, suggestion and explanation of all the shipping issues.

INTERVIEWER: When you were in Launchpad what was your contact with [Case Study 23] like? Was it just one or two members of staff or was it with quite a lot of staff in the UK? The reason why I ask is one of the things I'm investigating is how, during a Launchpad period, the understanding of many colleagues in the UK can also increase about China, which makes the company maybe more prepared to be confident to enter the market.

C23P2: Yes, definitely. Actually I worked with everyone in [Case Study 23] UK and US, so everyday I answer questions from so many people, so many colleagues.

INTERVIEWER: And do you get the sense that as a company as a whole, across its business areas, everybody was therefore benefiting a bit from the arrangement?

C23P2: Yes, definitely, definitely.

INTERVIEWER: How about, during your time at Launchpad, there were quite a few other project managers from other companies there. Did you have any interactions with them, even though they were in different business areas? Was it useful to have other colleagues doing similar roles for different companies?

C23P2: Yes, because although maybe we were in different industries, but we still exchange information and sometimes we teach each other how to do things correctly, because everyone has their own expertise. So it's really good to have a, how do you say, close working group. But everyone is an expert in their industry, but we are willing to share our knowledge and expertise, so the working style of Launchpad is really helpful.

INTERVIEWER: And during the time there, did you experience any disadvantages or drawbacks with being in the Launchpad scheme? Were there any constraints that you recall?

C23P2: Yes, actually, I think there is only one thing. When you work as Launchpad, sometime you cannot act as [Case Study 23] totally, because like from accounting point of view, although it's [Case Study 23]'s business, but we can only use CBBC to issue the invoices and also like some reimbursement and also like I still need to buy some office equipment, so all the money should go through CBBC, so it's a little bit complicated, but I can see the advantages are much, much more than the disadvantages. So maybe we cannot say it's a disadvantage, but maybe a little bit inconvenient, but that's very tiny to take into account.

INTERVIEWER: Just a moment you were saying that there were some advantages in having a dual branded business card with the CBBC logo on it. Many other Launchpads have put a different view on that, saying that sometimes it complicated that arrangement with potential customers, because you would have to explain the relationship with CBBC. Did you also find some of those issues as well?

C23P2: But most of our clients, they understand because they think from the very beginning to persuade the owner of [Case Study 23] to place so much money to register the company...it's not that easy to convince him. So we take one year in working as Launchpad to make him feel confident to make investment.

INTERVIEWER: Sorry, to make the UK side feel confident?

C23P2: Yes, because [Case Study 23] is a UK company. So [Case Study 23] UK make decision whether they will keep using Launchpad or they need to register in China as a forwarding company as soon as possible.

INTERVIEWER: You spent about 12 months in Launchpad, is that right. That was great progress. Was there a critical point in the development and the activities you were doing where the UK side said we think we can move out after one year? They must have been quite confident about the situation. What were the drivers to leaving Launchpad?

C23P2: The main reason is that [Case Study 23], because from my period in Launchpad, I collected a lot of information, a lot of regulations, and also the clients feedback, and also the market survey, so we understand that the business prospects in China were very attractive and we are confident that if we can register as a wholly owned company, we will make money within two or three years, and the business will grow up rapidly in China, because at that time more and more pharmaceutical research industries, they are moving from Europe or the US where the costs are very high to Asia, especially to China, because the cost for staff, or the costs for properties is much, much cheaper.

INTERVIEWER: It sounds like there was a sense that we've got to do this now, because of that trend, right? You know, people going to China. You couldn't leave it too long, could you?

C23P2: Yes, definitely. Also we have pressure from our biggest client which is [Client Company xxx], because they already had an R&D centre in Shanghai. So [Client Company xxx] keeps pushing us to register as a forwarding company to help them for shipments and transportation internationally. So that's the main reason. We cannot afford to lose [Client Company xxx], which is our biggest client and their business in China, you know, they are having more and more business in China. So that's the main reason.

INTERVIEWER: And when you exited, you set up this foreign logistics company. Was the process more complicated or bureaucratic than perhaps other areas of business?

C23P2: Yes, actually in China it's complicated to register a company. But the good thing is that [Case Study 23] UK, they find a potential agent to do the whole thing on behalf of us.

INTERVIEWER: And how is the business going nowadays?

C23P2: Yes, actually now the business in China is really good because we became profitable within two years and now every year we can get almost 100% increase. So I think [Case Study 23] UK, I mean the management team, they are really happy with the business growth in China.

INTERVIEWER: And do you think those kinds of successes or outcomes would have been possible without using Launchpad at the beginning?

C23P2: I think yes, using Launchpad is very important. So that it means we have a very good start. In China we say that a good start equals to half success. So yes, they make a very good decision to use Launchpad as start, at the beginning.

INTERVIEWER: A moment ago you mentioned also that risk was a factor in choosing to use a scheme like this. I don't suppose there was any point at which the company thought that this scheme could help them withdraw from China easily if things did not work out, or was it always very positive that they were going to eventually set up something.

C23P2: Yes, because I think it all depends on what's the expectation and what's the plan for the company who are using Launchpad. Eventually the Launchpad is like an incubator, so it's good that for UK companies they will try to...they will make the trial entry in China with Launchpad and then after a period in Launchpad when they get enough information, when they think they are really confident, they can switch from Launchpad to a real a business, a real company, or

maybe just a Rep Office. But yes, it's kind of like you blind yourself if you just go to China and make investment without collecting information in advance.

INTERVIEWER: Kevin, that's been great. Are there any other characteristics or outcomes or features about Launchpad they I haven't asked you about in the interview?

C23P2: Yes, if there is anything missing it's about the family atmosphere in Launchpad. That's a real thing that I've been missing after I left CBBC.

INTERVIEWER: Oh that's very interesting. Funnily enough a few of the other Launchpad project managers from before also said that they appreciated the environment because it's difficult for people to work in isolation and work alone. So they appreciated the atmosphere.

C23P2: Yes

INTERVIEWER: So that's very interesting. Right that's been great. Thanks very much indeed!

Appendix G: Cross-case Comparison Summary

1. Market Drivers

Case studies pointed to a variety of push and pull factors for entering the Chinese market

Pull factors	
Actual market growth in China	C1, C8, C19, C20, C21
Market growth in China outstripping traditional markets	C1, C8
China identified as having market (but not yet actual) potential	C2, C5, C10, C15, C16
Change in international strategy to focus more on China owing to China's market growth	C3, C7, C11, C12, C22
Push factors	
Not possible to satisfy market requirement with current market servicing model	C1
Foreign competitors setting up business in China and securing markets inside or outside China	C1, C4
Decline of domestic market, leading to fierce competition on price, led to China sourcing	C4, C9, C18
Customers outside China demanded/recommended that company had presence there	C12, C16, C23

2. Market challenges

Prior to entering the Chinese market, the following challenges were identified as being significant

Country specific factors	
Language	C1P1; C1P2; C8P1; C15P1; C18P1; C18P2; C20P1
Culture/cultural conflict*	C1P1; C1P2; C5P3; C8P1; C9P2*; C11P1; C11P2; C18P1; C18P2; C22P1; C22P2*
Legislative/regulatory framework & environment	C1P2; C2P2; C7P1; C11P1; C17P1; C20P1; C23P1; C23P2
Time zone/distance	C1P1; C7P1; C15P1; C18P1
Geographical size	C2P1
Bureaucracy	C8P1
Chinese firewall	C12P2
Understanding the market	
Lack of knowledge about how to enter/ operate/service market	C4P2; C6P1; C7P1; C11P1; C16P1; C23P1
Market immature and lacking sophistication	C5P1; C5P3; C15P1; C15P3
A very niche market, with small group of potential customers and decision-makers	C8P2
Sophisticated customer demands	C3P2
Market intelligence in rapidly growing market	C21P1; C21P2
High volume of opportunities to sift through	C13P1
New to market	
No existing customers (a 'newcomer')	C7P2; C8P2;
Lack brand awareness	C3P1; C3P2; C8P2; C11P2; C14P1; C14P2; C20P2; C22P1; C22P2; C23P2
Lacked representation	C3P1; C14P1
Competition	

Existing (foreign) competitors already active	C3P1; C7P2; C11P1; C23P2
Existing (domestic) competitors already active	C7P2; C11P1
Access to market	
Finding the right people to talk to	C5P3; C15P3
Building links with senior decision-makers	C16P2
Fragmentation of opportunities and decision-making	C2P1; C2P2
Business specific factors	
Quality/standards control	C1P1; C9P2; C18P1; C18P2
IP	C1P1; C1P2; C2P1; C2P2; C7P1; C8P2
High import duties	C1P1
Currency issue	C23P1
Whether minimum order quantity is sufficient	C4P3
Internal	
China will need new strategic approach (different to other markets)	C1P2; C2P1; C14P1
Limited internal resource to service operation in China	C4P1; C6P1
Fear of making mistakes	C8P1; C22P1
Dealing with multi-tasks in daily work	C16P2
Feeling that you need someone to hold your hand 'to help us get around the place'	C1P2 C22P1

3. Reasons for using Launchpad

Launchpad users stated the following reasons for using this scheme

Firm size and resources	
'We are a medium to small company'	C1P1; C4P1; C4P2; C5P3; C8P1; C11P1; C16P1; C16P2; C19P1; C21P2; C23P1; C24P1
Access	
Availability	C1P1; C3P1; C5P1; C14P1; C18P1
'Tried and tested'; proven track record*	C3P1; C5P1; C5P2; C22P1*
Easy to set up (than rep office*)	C1P1; *; C3P2; C14P2; C18P1; C22P2*;
Quick to set up/no delay;	C3P1; C3P2; C5P2; C7P1; C14P1; C15P1; C23P2
Low barrier to entry	C15P1
Provided place to stay (independence)	C19P1; C19P2
Operator	
Trust in the operator/ expectation of support/knowledge from operator*	C1P1; C3P1; C5P1; C6P1; C7P1*; C14P1*; C15P1*; C17P1; C18P1; C22P1
Have someone in the background to check/supervise/look after	C11P1; C11P2
Strategic intent	
Needed to do something more/ramp up*	C1P2; C4P2*; C8P1
To understand/become more familiar with the market	C1P1; C2P1; C2P2; C4P3; C12P1; C13P1; C20P1; C21P1; C23P1; C24P1
To help decide whether/how to enter or not; 'dip our toe'*/test the market/sanity check/prove/trial entry*	C1P1; C2P1; C2P2; C7P1; C7P2; C8P1*; C8P2; C9P2; C10P1; C11P1; C15P3; C18P1; C20P1; C21P2; C22P2; C23P1; C23P2*

Prepare for market entry/stepping stone*	C1P2; C2P1; C8P1*; C8P2; C14P1; C21P1
Expand the market and network	C5P3
Make trips from UK more productive	C5P1
Representation	
To have someone on the ground (without setting up/focusing on business development*)	C1P1; C2P1; C5P1; C5P2; C9P1; C11P1*; C11P2; C12P1; C15P3; C18P1; C20P1; C20P2; C22P1*
Need a local person to make progress/know the market	C8P1; C8P2; C18P1; C18P2; C20P2; C21P1; C21P2
Need someone to act as Communication bridge	C3P2; C8P2; C18P1; C18P2; C22P2;
To have someone employed <i>legally</i>	C3P1; C4P2; C5P2; C6P1; C9P1; C13P1; C14P2; C15P2; C17P1
Gave us control over an individual/ 'own man'	C1P1; C5P1; C5P2; C6P1; C9P1; C21P1; C24P1
Test a person/build trust in a person*	C8P2; C11P2; C15P2*; C23P1; C23P2
Identify opportunities and respond to them	C14P1
Risk management	
Avoid high investment risk/high commitment	C2P1; C9P1; C10P1
Low(er) risk	C1P1; C4P2; C5P1; C6P1; C5P2; C7P1; C7P2; C8P1; C11P2; C12P1; C15P1; C15P2; C16P1; C18P1; C19P1; C22P1; C23P1; C23P2
Easy to exit	C1P2; C4P2; C5P2; C8P1; CP10; C15P1; C16P1; C18P1; C22P1; C23P1
Something we had control over	C14P1
Contain risk	C1P1
Cost control	
Low cost/cost effective	C2P2; C3P1; C4P2; C5P1; C5P3; C7P2; C8P1; C11P2; C15P1; C15P3; C19P1; C23P2
Cost definable/certainty	C5P1; C5P2; C8P1; C16P1; C16P2

4. Decision-making

Launchpad users made the following observations about how the characteristics of the scheme influenced the decision to have a presence in China

The characteristics of Launchpad eased the decision to have a presence the Chinese market	C1P2, C4P1, C4P2, C5P1, C14P1, C15P1, C15P2, C16P1, C18P1, C20P1, C21P1, C23P1
Can help 'put off' important decisions	C1P1; C24P1

5. Benefits of Launchpad

Firms communicated that they had benefited from using the Launchpad scheme in the following ways

Knowledge	
Market knowledge/access information locally (but needed to support from UK side, C18P1) *knowledge about partners, but not market	C1P1; C1P2; ; C2P1; C4P1; C4P2; C5P1; C5P3; C6P1; C7P1; C7P2; C8P1; C8P2; C9P1; C9P2; C11P1; C12P2; C15P1; C16P1; C18P1; C20P1; C20P2; C21P1; C21P2; C22P1*; C23P1; C23P2; C24P1
Someone to check the 'true situation' (distributors)	C2P1; C20P1; C21P1
To help the company know the real market/situation	C2P2; C3P2; C4P3; C5P3
Cross-firm familiarisation with/exposure to	C1P1; C1P2; ; C2P2; C3P2; C4P1; C4P2

China/absorption*	C4P3; C9P1; C9P2; C11P2; C14P1; C16P1; C18P1; C18P2; C20P1; C21P1; C22P1*; C22P2; C23P1; C23P2
Learning between other project managers (<i>But competition*</i> ; <i>prepared to mentor**</i>)	C2P2; C3P1; C3P2*; C4P3; C7P2; C8P2**; C9P2; C11P2**; C12P2; C15P3; C16P2; C18P2; C19P1; C19P2; C20P2; C21P2; C22P2; C23P2
Networks	
Increase in networks (including service existing networks better*)	C1P1; C2P1; C2P2; C3P1; C3P2; C4P1; C5P1; C5P3; C6P1; C8P1; C8P2; C9P1; C11P1; C12P1; C12P2; C14P1*; C15P1*; C17P1*; C15P2; C16P2; C20P1; C22P1*; C22P2*
Serving customers	
Support existing customers	C12P1; C12P2; C23P1
Reach into other regional markets	C1P1; C9P1; C11P1; C11P2
Marketing & Business Development	
Representation (attending events, meetings)	C1P1; C2P1; C3P1; C14P1
Translation of Materials/Website*	C1P1; C2P1; C20P1*
Increase visibility/brand awareness	C2P2; C3P1; C5P3; C7P2; C11P2; C12P2; C15P1; C23P2
Somebody to organise our visits	C5P2; C6P1
Saved us committing to much resource from UK	C3P1; C4P1; C15P2; C16P1
Business impact	
Actual impact on business: sales/agreements*/quality**	C2P1*; C4P2**; C7P1; C7P2; C8P1; C8P2; C9P1; C11P1; C11P2; C12P2; C14P1; C14P2; C16P1; C19P1; C20P1; C20P2; C22P1; C23P1
Handle enquires & sales leads in real time	C15P1; C20P2; C22P2; C23P1
Creates advantage over foreign competition	C12P2
Support from the incubator	
Credibility from CBBC Link (personal***)/CBBC Business Dev Support (but not commercial*)/sense of security** For next step set up****; + market intel***** (helped C16 punch above weight)	*; C2P1; C2P2; C3P1; C3P2; C4P1; C5P2; C5P3; C9P1**; C9P2; C9P2*** C11P1**; C12P1; C15P1;**** C15P3; C15P2; C16P1; C16P2; C17P1*; C19P1*; C20P2; C21P2*; C22P2*****; C23P2
Provides (flexible) accommodation	C12P1; C12P2; C16P1; C18P1; C19P1
Made us seem like we a permanent establishment in China	C12P2; C19P1
Administration support (release from admin tasks) Salary negotiation*	C2P2; C3P1; C4P2; C7P1; C11P1; C12P1; C13P1; C14P2; C15P3; C16P2; C22P1*; C22P2
Allowed us to get on with the business	C18P1
Assistance with recruitment setting up interviews (found our own C9, C11, C13, C15, C19, C20)	C2P1; C3P1; C4P2; C7P1; C8P1; C16P1; C17P1; C18P1; C22P1
Employee had not heard of company, but knew, or was able to check up on CBBC (I could forecast my career path C18P2)	C4P3; C16P2
The employee is a key factor to success	
'Employee is key'/testing the person* (but you've got to exploit it, C2P1)	C2P1; C7P1; C8P1; C8P2*; C11P1; C11P2; C14P1; C15P1; C17P1; C18P1; C20P1; C22P1; C23P1*; C23P2
Employee bought back to UK for training	C1; C3; C4; C11; C15; C21; C22P1*
Control over project manager activities/deployment/ over	C1P1; C9P1; C14P1*; C16P1**; C21P1***

what we were doing*/people with our DNA**/'they are your eyes and ears in China'***	
The Single Employee	
'But I am just one person representing the firm in China' (sense of, expectations, pressure *)	C3P2*; C4P3; C5P3; C8P2; C11P2; C12P2; C16P2; C19P2
He/she is working alone; managing expectations* (acknowledgement from UK side)	C1P1*; C4P2; C5P2; C11P1; C17P1; C21P1
Other benefits	
Increase confidence/felt there was a business*/plan future steps**	C4P1; C5P3; C12P1; C16P1*; C18P2; C19P1; C20P2**; C23P1; C23P2
Increased global footprint and image	C23P1; C24P1
Unexpected outcomes/collateral benefits*	C9P1; C18P1*
Helped us skip a step (Rep Office)	C7P2

6. Next Steps (current users)

Current users expressed the following views about graduating from Launchpad.

Still considering the options/including not going ahead*/including another Launchpad**	C1P1*; C1P2*; C4P1**; C4P2; C5P1; C11P1; C20P1
We have decided on the next step/providing it is justified*	C2P1; C2P2; C3P1*; C8P1; C8P2; C9P1
Finding constraints to current arrangement (numbers of personnel, access to opportunities*), so planning to move soon	C20P1*; C20P2*
We're too comfortable – no intention of moving	C22P1; C22P2

7. Exit trigger (successful graduates)

Former users of Launchpad decided to leave Launchpad for the following reasons

Needed larger team, became too expensive (moved to rival incubator*)	C7P1*; C12P2; C14P1; C14P2; C18P1
Higher level of enquiries and some orders, needed larger team to handle	C19P1; C19P2
Stable customer base with regular enquiries and regular orders/case had been proven*/built up potential book of business**	C7P2; C18P1*; C18P2*; C23P1* _**; C23P2
Starting to get decent results	C16P1
Needed own company to issue invoices/sell/handle daily activities	C7P2; C14P1; C16P2; C23P1
Needed to establish own brand and image for customers/so customers can see you are serious*/pressure from main customer**	C7P2; C15P2; C19P2*
Pressure from CBBC/time limit	C15P1; C21P1;
Strategic decision – further step change needed (exit had been delayed owing to change in CEO*)	C21P2*; C23P2
Withdrew (But still active*); (change in global strategy**) (UKTI funding finished***); (did not wish to continue with staff member****); (internal resource constraints*****); (research completed*****)	C6P1*; C10P1**; C13P1* _***; C17P1* _****; C24P1* _***** _*****

8. Exit Mode

The exit modes adopted by graduates were as follows

WFOE	C7; C12P1; C16P1; C16P2; C23P1
Hybrid arrangement with Chinese education company	C14P1; C14P2
Rep Office (options limited in nineties*)	C15P1; C18P1; C18P2; C19P1; C19P2*; C21P1

9. Policy

Current and former users expressed the following views on the suitability of this scheme for other emerging/difficult markets

Suitable for other challenging markets	C 1P2; C2P1; C7P1; C11P1; C13P1; C14P1; C15P1; C16P1; C17P1; C18P1; C19P1; C20P1; C21P1; C22P1; C23P1;
Suitable for easy markets	C15P2

10. Current activities (graduates)

The following aspects of current (post Launchpad) activities were expressed

Rapid YoY growth since leaving Launchpad	C7P1; C23P2
Washing its face	C15P2
Still evolving (‘Zero ROI’*)	C16P1*
Expanding scope of activity/upgrading entity	C18P1; C18P2

11. Without the availability of Launchpad would you be doing now?

The interviews indicated the following scenarios if Launchpad had not been used

We would have set up a presence (but it would have taken longer*; or it would have floundered/more risky**)	C2P1; C3P1*; C4P1*; C7P1*; C11P1*; C15P1*; C15P3*; C15P2*; C18P1**; C19P1**; C21P1**
We would not have a presence in China	C1P1; C1P2; C4P2; C5P1; C8P1; C9P1; C12P1; C14P1; C16P1; C20P1; C22P1*; C23P1

12. Has Launchpad increased the speed of market entry?

Interviewees agreed that their use of Launchpad had increased the speed of market entry

Launchpad accelerated market entry/action	C1P2, C4P2, C7P1, C8P1, C9P1, C11P1, C12P1, C15P1, C15P2, C16P1, C18P1, C20P1, C21P1, C22P2, C23P1, C23P2
---	---

