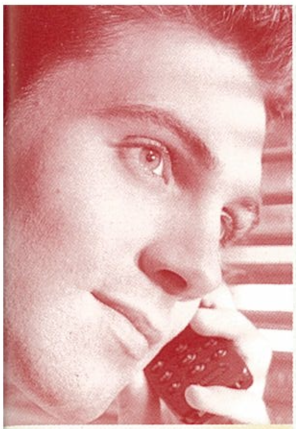

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The Determinants of Western Australia's Foreign Investment in China

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And

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Working Paper Series

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University of Technology

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ABSTRACT

Despite the growing importance of Australia's direct investment in China few studies have been conducted, and these largely depend on secondary data. This study reports results from the analysis of the primary data from 39 Western Australian businesses that are either undertaking engagement or planning to invest in the Chinese marketplace. The findings indicate the drivers of market size, infrastructure, and business ethics were factors considered by decision makers when deciding to undertake foreign investment in China. From respondents comments it was detected gender, organisational size and networking have a potential to influence the connections between the drivers and the intensity of foreign investment. These observations provide the foundation for further investigations to elucidate features of managerial decision making for investment with Chinese firms.

Key Words: Australia, China, Foreign Direct Investment, Decision Making.

INTRODUCTION

China as an emerging and dominant economy has achieved an average growth rate of nearly 10 percent in the last 20 years; this marketplace has attracted a large number of world market stakeholders, including Australia, to engage in financial investments. Since 2001, China's foreign investment has been continuously increasing, particularly as a popular host destination for its Asian neighbours Hong Kong, Korea and Taiwan (Ho 2004). Furthermore, according Deng (2009), China has absorbed foreign direct investment (FDI) worth USA $111.17 billion in 2008. With China's growth and development in the last decade, not surprisingly this nation has been considered as an important marketplace for both complex and advanced products and services (Demir and Soderman 2007).

Although the financial crisis has brought some negative impacts on FDI inflows to the Chinese marketplace, China still remains as an attractive destination for FDI inflow (Deng 2009). Historically, the United Kingdom (UK), the United States of America (USA) and New Zealand were the core destinations for Australia's investment. However, with the increasing economic development in East Asia, Australian companies have over time shifted their investment direction, particularly to Indonesia, Malaysia, Singapore, China and Vietnam (Marsh 1996). Indeed, as new investment opportunities have emerged, Australian companies have shown interest in the emerging Chinese market (Fittock and Edwards 1998), and today, there is increasing business potential between the two countries (*Australian Government* 2007). Over time, China has become one of Australia's main trading partners (*Australian Government Senate* 2005); in fact, in 2007, China overtook Japan as Australia's largest trading partner (*ABC News 2007)*.

Despite the popular consensus that Australian companies are increasingly investing in the Chinese marketplace, to date relevant literature promoting this notion is limited. In fact, most of the existing research (Bryan 1989; Edington 1990; Sim and Teoh 1994; Yang et al., 2000) on this dimension focuses on the understanding of the determinants of inwards FDI to Australia. Beamish (1993) and Pan (1994) argue that studies on the determinants of China's FDI inflows has been based on USA and Japanese investment in the Chinese marketplace. Sim and Teoh (1994) propose that less emphasis has been paid to the study of Australia's off shore investment. Fittock and Edwards (1998) also support this view, and suggest that Australian direct investment overseas has received less attention. While exploring the determinants of Australian direct investment in the Chinese marketplace, and particularly what elements motivate or deter owners/managers of Australian companies from undertaking FDI in China, Fittock and Edwards (1998) conclude that research in this area is restricted. A most recent paper by Ma, Yang and Zhang (2008) specifically commented on the recent explosive growth of Australian investment into China, and in particular highlighted their arguments with a series of graphs. Reinforcing this line is evident from the Australian Bureau of Statistics (2009) is quantitative values to demonstrate the Chinese marketplace has been the main export destination for Western Australia in recent years. Despite this enlightening knowledge, there is still a sizable knowledge gap about how Australian firms foster engagements with Chinese entities, and consequently, one of the objectives of this study is to provide more understanding of the determinants of Australian foreign investment in the Chinese marketplace.

Although researchers have investigated China's country characteristics, such as labour costs, in attracting foreign investment to the Chinese marketplace, to date relevant literature that examines the drivers and influencing factors of Australian foreign investment is narrow. In fact, a number of researchers (Chen 1996; Head and Ries 1996; Broadman and Sun 1997; Dees 1998; Cheng and Kwan 2000; Coughlin and Segev 2000; Fung et al., 2000; Zhao and Zhu 2000; Wei and Liu 2001; Belderbos and Carree 2002; Ng and Tuan 2003) have undertaken to investigate the relationship between labour costs in China and its inwards FDI. While this notion has been widely explored, little is known about other drivers for engaging in Chinese FDI by Australian firms. Indeed, with the growing economic importance of China and its major economic power in the East Asia region (*Australian Government* 2004), a comprehensive understanding on the determinants of Australian foreign investment in the Chinese marketplace may provide additional information to Australian companies that would assist them to undertake better planning of their investment decisions. Hence, the present study stems from the need to empirically examine driving factors that promote Australian companies to undertake foreign investment in the Chinese marketplace.

The intension of this study is to explore the relativity of a set of constructs with Australia's direct investment in the Chinese marketplace. Specifically, the intention is to delineate the relationships between four independent constructs (1. market size, 2. labour costs, 3. infrastructure, and 4. business ethics) and the intensity of Chinese foreign investment. The second stream of the study focus is to evaluate if and how these relationships are mediated by personality attributes (i.e., gender), organisational properties (i.e., size) and networking.

FOCUS OF THE LITERATURE

The focus on the literature for this study is divided into two parts. First, a brief discussion to the development of foreign direct investment in China is documented. Second, the determinants of foreign investment are examined with a purpose of narrowing down to the determinants of foreign investment in the Chinese marketplace.

Foreign Direct Investment in China

The historical development of China's economy has had an impact on the level of inwards FDI to the country. In 1978, China underwent economic reforms with the purpose of opening the Chinese economy to both international trade and overseas investment (Hou 2002). Since 1979 the Chinese economic system has experienced a gradual transformation from a centrally planned system towards a market based economic system (Jiang 2005). During this initial period of economic reform the country did not receive large inward FDI, partly due to poor infrastructure (*OECD* 2000). It may be argued that infrastructure plays a role in the attraction of foreign investment to China. During the period of 1979 to 1983, China's actual FDI inflows were USA $1.755 billion (Li 2005). However, there was a dramatic change as special economic zones (SEZ) were developed in China. These SEZs were established with the purpose of creating an environment conducive to foreign investor operations as well as facilitating export and import activities (Tan 1999).

The SEZs expanded to fourteen cities between 1983 and 1991, and contributed to a steady growth of FDI inflows into China. During the period of 1984 to 1988 FDI inflows in China reached USA $10.301 billion (Li 2005). Since 1989, total FDI inflows in China increased steadily and amounted to USA $11.245 billion by 1991 (Li 2005). In 1992, the economic reform was accelerated and the country 'opened' up further, resulting in unprecedented FDI inflows (Fung et al., 2002; Ho 2004). Between 1992 and 1999, China received a total of USA $282 billion inwards FDI (Li 2005), and from 2000 to 2004, the total FDI inflows in China reached USA $254 (Li 2005). According to Ali and Guo (2005), China has been the largest FDI recipient among developing countries since 1992, and now is the third largest foreign capital recipient in the world after the UK and the USA (*UNCTAD* 2006). This dramatic FDI growth continued with China's unique advantages, such as market size, and has turned in an extremely attractive location for foreign investment (Zhang 2001). As a potential marketplace China has attracted a large number of foreign companies from the USA, Europe, Japan as well as neighbouring countries, such as Taiwan (Zhang 2001).

The rapid economic growth of the Chinese economy complemented by significant amounts of inward FDI has drawn a considerable amount of attention. As a result, efforts seeking to examine the determinants of FDI in China have increased dramatically since the reforms in the late 1970s and early 1980s (Zhang et al., 2004). A more elaborate discussion of the existing literature concerning the determinants of inwards of FDI is provided in the following section.

The Determinants of FDI

Market Size

Research has illustrated that the decision for selecting an overseas market for investment generally depends on market size and potential growth (Dunning 1973; Agarwal 1980; Coughlin et al., 1991; Barrell and Pain 1996; Braunerhjelm and Svensson 1996; Milner and Pentecost 1996; Liu et al., 1997; Billington 1999; Huang 2002; Tseng and Zebregs 2002; Bevan and Estrin 2004; Na and Lightfoot 2006). In studying the influence of host country characteristics on the location choices of Swedish multinationals (MNEs), Braunerhjelm and Svensson (1996) determined that market size has a positive impact on an overseas location choice. Similarly, Barrell and Pain (1996), and Billington (1999) demonstrate that the foreign investment decision of multinational firms from the USA is based on a host country's market size and growth rate. Thus, it is reasonable to assume that the size of the market plays a critical role in the attraction of international investors. In other words, there is a positive relationship between market size and likelihood of investment.

The position of market size as a determinant for international investment has also been considered in the Chinese context by a number of researchers (Liu et al. 1997; Park 1997; Qu and Green 1997; Fittock and Edwards 1998; Sun 1998; Zhang and Yuk 1998; Wu 1999; Yan 2000; Sun et al. 2002; Tseng and Zebregs 2002). Liu et al. (1997), and Tseng and Zebregs (2002) indicate that China's large market size plays an important role in attracting foreign investment from the USA and Europe. In examining the location choices of Hong Kong manufacturing investment, Zhang and Yuk (1998) found that market orientated firms tend to be attracted by the large domestic Chinese market. Similarly, Bhagwati and Sriivasan (1983), Kueh (1992), Tesai (1994), Lardy (1995), Wang and Swain (1995, 1997), Chen (1996), as well as Broadman and Sun (1997) suggest that the large market size is one of the driving factors that attract foreign investment to China. According to Yan (2000), the primary reason for foreign investment in China has been the prospect of gaining access to what is perceived as the potentially large Chinese market. Based on literature, it is reasonable to forecast that market size will be positively related to investment intensity.

H1: Market size is positively related to the intensity of foreign investment.

Infrastructure

In addressing the determinants of FDI inflows, studies have not only deemed the effect of the market size, but have also shown interest concerning the infrastructure of the host country. Wang and Swain (1995, 1997), Fittock and Edwards (1998) as well as Bevan and Estrin (2004) emphasise the importance of infrastructure on a firm's decision to be involved in international business. In fact, Tseng and Zebregs (2002) point out that a host country infrastructure is an essential factor for attracting foreign investment. While Coughlin et al. (1991) contend that investors from the USA are attracted by the level of transportation infrastructure within the country, Wheeler and Mody (1992), Loree and Guisinger (1995), as well as Mody and Srinivasan (1998) state that the amount of infrastructure, including the sophistication of telecommunications and transportation services is considered as one of the major drivers that motivates investment from the USA to East Asia. The investment location choice in an overseas market is based on the belief that an investor may prefer to invest in a country with relatively superior infrastructure (Zhao and Zhu 2000).

The level of infrastructure has also been considered as an important determinant in the attraction of foreign investment to the Chinese marketplace (Bhagwati and Srinivasan 1983; Cheng and Kwan 2000; LuMinghong 2000; Zhao and Zhu 2000; Cheng and Stough 2006; Na and Lightfoot 2006). Bhagwati and Srinivasan (1983), LuMinghong (2000), as well as Zhao and Zhu (2000) explain that an essential and adequate condition for overseas investors is the level of infrastructure of the target country. In fact, a well established transportation and telecommunication infrastructure has been considered as a key to the determining factors for China's investment inflows (Qu and Green, 1997). At the provincial level, Head and Ries (1996), and Cheng and Kwan (2000) have demonstrated that those Chinese provinces with better and developed infrastructure have attracted more investment. Contrary to existing arguments, Coughlin and Segev (1999) did not find a statistically significant relationship between transportation infrastructure, measured by roadway per area, and investment inflows across provinces in China. Thus, findings regarding the impact of infrastructure on investment inflows remain equivocal. Overall, more studies have indicated that the level of infrastructure, including transportation, communication services, and information technology within China, is likely to have an impact on a company's foreign investment decision (*OECD* 2000; Panayides et al., 2002; Ho 2004). From the available relevant literature, and on balance, it is forecasted that infrastructure will be positively associated with investment intensity.

H2: The level of Infrastructure is positively related to the intensity of foreign investment.

Labour Cost

Researchers have also paid considerable attention to the effect of labour cost on the decision to undertake foreign investment (Friedman et al., 1992; Summary and Summary 1995; Belderbos and Carree 2002; Ali and Guo 2005). Braunerhjelm and Svensson (1996) have determined that the supply of skilled labour has the potential to influence Swedish MNEs overseas locational choice. In general, it is argued that, other things being equal, foreign investors would prefer to undertake foreign investment in countries where labour costs are relatively low (Saunders 1982; Culem 1988, Coughlin et al. 1991; Mody and Srinivasan 1998; Barrell and Pain 1999; Fung et al. 2000, Love and Lage-Hidalog, 2000). Barrell and Pain (1999) suggest that foreign investors are more likely to be involved in international business where host countries are characterised by lower labour costs. Kimino et al. (2007) supports this view and concludes that investors from Britain are attracted to destinations where labour costs are relatively lower than in their home market. Despite this, the determinant of labour costs on a company's foreign investment decision appears to be equivocal as a number of researchers have failed to find a relationship between labour costs and FDI inflows. Kravis and Lipsey (1982), and Owen (1982) note that a host country's relative unit labour cost does not have a significant effect on inward FDI. Similarly, Ondrich and Wasylenko (1993) did not find a statistically significant relationship between inward FDI and labour costs.

In the Chinese business context, findings regarding the impact of labour cost on investment inflow remain contradictory. Literature demonstrates that cheaper labour costs in China is one of the key aspects for attracting inwards foreign investment (Chen 1996; Broadman and Sun 1997; Liu et al. 1997; Cheng and Kwan 2000; Coughlin and Segev 2000; Zhang and Yuk 2000; Wei and Liu 2001; Belderbos and Carree 2002; Lieberthal and Liberthal 2003). Zhang and Yuk (1998) indicate that investors from Hong Kong are driven by the cheap labour costs in China. In fact, Lieberthal and Liberthal (2003) further indicate that inexpensive mainland labour costs encourage electronic apparatus and telecommunication manufacturers from both Hong Kong and Taiwan to invest in China. In contradiction to these documented findings there is an argument that cheap labour cost may not have an impact on the overall decision of investing in China. Zhang (2000), for example, explains that the decision for investing in China by USA technology orientated MNEs is hardly affected by the cheap labour costs, as they have shown strong preferences to gain market access to the Chinese marketplace. And in unison Fittock and Edwards (1998) have documented that cheaper labour cost in China is not the primary reason for Australian companies to invest in the Chinese marketplace. Results regarding the impact of labour costs on investment inflows to China appear to be controversial and diverse. Thus, a need for further studies to clarify the role of labour cost for different industries and countries has shown the merits to widen the understanding of the determinants of investment flows. A salient conclusion to be drawn from the relevant literature is that, on balance, labour costs may be inversely related to investment intensity.

H3: Labour cost is inversely related to the intensity of foreign investment.

Business Ethics

Apart from the impact of labour cost to investment inflows, the emergence of business ethics as a practical issue has become a prominent business matter for consideration from various quarters (Sanyal, 2005). Bradburn (2001) implies that a comprehensive understanding of business ethics may help managers to better evaluate business activities, which in turn may improve a manager's decision making skills. Hence, it is argued that the reason for foreign companies to consider the need to gain a better appreciation of some forms of business ethics, such as the practice of payoffs, can be drawn from the grounds of business necessity (Carmichael 1995). These business necessities may assist a company's operations or business activities in a foreign market.

The influence of business ethics on Chinese inward investment decision making has not been widely studied (Wei 1999). Brand and Slater (2003) argue that the emerging field of business ethics requires a better understanding of the concept of business ethics in the Chinese context. In other words, foreign investors who are planning to invest or are already operating in the Chinese marketplace may need to fully consider issues that relate to business ethics such as bribery and other dubious ethical behaviours (Wei 1999). According to Fieser (1998), there is a need to differentiate bribery from gift giving. Steidlmeier (1999: p.122) suggests that "Gift giving is one of the ways of nurturing such relationships and strengthening the trust, caring, reciprocity and commitment between the parties.", whereas bribery represents an illegal resource transfer between parties. The perceived importance of business ethics on foreign investment decisions has been regarded as an essential area for consideration by Wei (1999) and Bradburn (2001). Based on the discussion, it is reasonable to estimate that business ethics will be positively associated with investment intensity.

H4: The familiarity of Business ethics is positively related to the intensity of foreign investment.

Demographics

The study conceptual framework has also employed a cluster of mediating variables. Some demographics of respondents are proposed as mediating variables, including a personal dimension, organisational dimension and network. These mediating variables will be examined. From a personal perspective, demographics regarding gender will be assessed to determine the moderating effects of the variable on a company's foreign investment decisions. In addition and from an organisational perspective, the demographics firm size is claimed to play an important role in making foreign investment decisions. Similarly, a company's decision for undertaking investment in a foreign country may also be affected by networks or relationships. Consequently, it is argued that these mediating variables may influence the relationships between the independent and the dependent variables by intensifying, weakening, or reversing the connections. A more elaborate discussion on the forecasted hypotheses for this study is given in this section.

Personal Attribute – Gender Gender can be viewed as an important personal characteristic that may affect decision making. In fact, Cuba, DeCenzo and Anish (1983), Hisrich and Brush (1987), Brush (1992), as well as Moore and Buttner (1997) have determined that men are less likely to encourage social and other networks in strategic decision making, but they are more likely to rely on individual systematic practices when making strategic decisions. Although some studies agree that gender differences may have an impact on decision making, others tend to argue that the impact is negligible.

Research regarding gender differences in decision making appears to be diverse. Some researchers (Chaganti and Parasuraman 1996; Powell and Ansic 1997) support gender similarities. Hudgens and Fatkin (1985), and Johnson and Powell (1994) demonstrate that an equal successful rate in decision making under conditions of risk between males and females. Similarly, Birley (1989), and Sexton and Bowman-Upton (1990) conclude that there is no significant difference between male and female entrepreneurs in decision making. The conflicting findings establish a merit to identify the implications of gender in decision making, especially in terms of the effects of gender on investment decisions. On balance it is estimated that gender will mediate the four main hypotheses of the conceptual model.

H5: Gender is likely to have a positive impact on the relationships between the independent and the dependent variables.

Organisational Attribute – Firm Size A common notion found in the literature is that the size of the firm (generally defined by number of employees) appears to play a role in the investment decision (Coviello and McAuley 1999; Rowden 2001; Kirby and Kaiser 2003; Hollensen 2004). For instance, Reuber and Fischer (1997) indicate that small Canadian software products firms are at a disadvantage in making decisions to develop and expand sales to international markets compared with multinational corporations (MNCs). This is because the smaller firms may lack the capabilities of developing knowledge of foreign markets, general management skills and international selling abilities, which may potentially limit investment decisions of small and medium enterprises (SMEs). In addition, Rowden (2001) argues that small firms seem to be characterised by high levels of risk aversion because of financial and staff limitations. These boundary conditions have a potential impact on the process of internationalisation, which in turn translate into additional challenges for small firms to make investment decisions. Due to these constraints, some SMEs are less likely to be involved in international business or to invest overseas compared to large MNCs (Hollensen 2004).

Interestingly, the consensus about the impact of firm size on international investment remains equivocal. Overall, the size of the firm may not necessarily be a barrier for some small firms to become international (Bonaccorsi 1992; Calof 1994; Acs, Morck, Shaver and Yeung 1997; Gomes-Casseres 1997). Some small firms may tap into their internal advantages, such as flexibility, to increase the possibility of becoming global (Coviello and McAuley 1999). Flexibility in the shorter communication lines between an enterprise and its customers may help small firms to respond swifter and more effectively to customer enquiries (Hollensen 2004). In addition, the fast changing environment and increasing development of information communication technologies (ICT) have an impact on the entry modes of a smaller firm and constantly change the global operational environment (Moen et al. 2004; Loane 2006).

Information communication technology (ICT) tools, such as Internet seem to shape the choice of internationalisation strategies for smaller enterprises. In other words, firm size may not affect a company's foreign investment decisions. Luchetti and Sterlacchini (2004) indicate that the Internet is an efficient sales channel for smaller firms with limited resources, as the Internet may help reduce transaction costs (Evans and Wurster 1997). Drew (2003: p.81) concludes that the benefits of the Internet include "…expanding the scope of marketing, wider and richer communications, reaching new markets, recasting the costs of operations and partnering with suppliers and other collaborators.". The strengths and availability of the Internet technology has offered an alternative strategy for some smaller firms to become international. Given the fact that small firms may be able to minimise some barriers, such as limited capital resources it is reasonable to assume that the size of the company may not significantly affect internationalisation. However, the unbalanced findings in literature validate the question whether the size of the company has an impact on decision making. Yet conventional wisdom supports a contention that larger companies will have the capacity to influence the relationships of the conceptual model.

H6: The size of the company is likely to have a positive impact on the relationships between the independent and the dependent variables.

Networking Networking can play a critical role to a firm's internationalisation strategies as networking may assist firms to gain resource combinations to develop internationally (Aldrich and Zimmer 1986; Aldrich, Rosen and Woodward 1987; Zacharakis 1997; Mort and Weerawardena 2006). Zacharakis (1997) highlights that SMEs intend to rely on collaborative modes or networks of operation in foreign markets. The reason is that collaborative modes of operations imply shared risk and resources that help overcome barriers associated with SMEs, including limited productive resources, and market knowledge of the target country (Osland and Cavusgil 1996; Buckley 1997; Gomes-Casseres 1997).

The role of networks is crucial in a firm's decision of becoming international. In fact, networks have provided the means for firms to identify opportunities, to facilitate the utilisation of other resources, to achieve competitive advantage and to develop internationally (Burt, 1992). Networking speeds up internationalisation "…by providing synergistic relationships with other firms, small and large that complement each other's resources at various stages in the value chain." (Crick and Spence 2005: p. 171; Dana, Etemad and Wright 1999). Networking in the form of partnership, for example, facilitates small handicraft enterprises from Tanzania to enter foreign markets (Rutashobya and Jaensson 2004). According to Etemad (2004), networking may act as incentive stimulating the firm's internationalisation process, which in turn, becomes an important strategy in making investment decisions. Overall, networks and relationships are important in the firm's internationalisation process, and networks are likely to affect the investment decision.

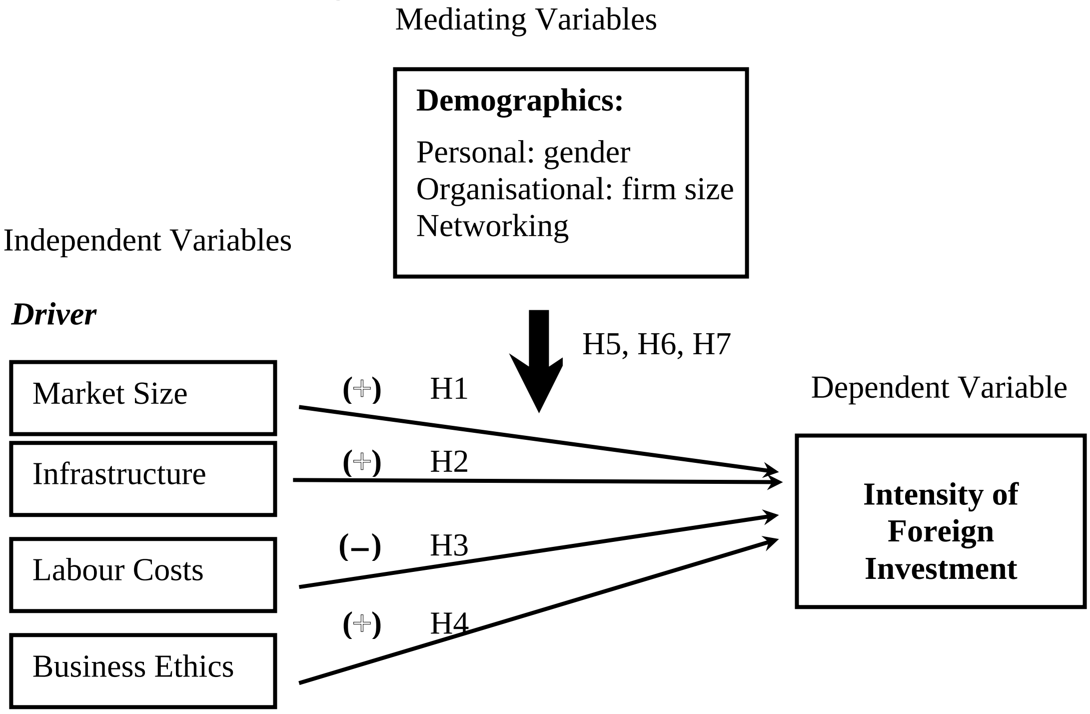
H7: The presence of networking is likely to have a positive impact on the relationships between the independent and the dependent variables.

CONCEPTUAL MODEL

A conceptual model was derived from an integration of the relevant literature review and interpretation. This conceptual model is shown as Figure 1. The framework consists of four independent variables, one dependent variable and a set of mediating variables. It is forecasted in Figure 1 that the independent variables are assumed to act as drivers of Western Australia's foreign investment in China. Four variables were employed as independent variables: market size, infrastructure, labour costs and business ethics. The dependent variable is labelled as intensity of foreign investment. The conceptual model also contains a cluster of mediating constraints as demographics. The demographics of respondents that will be assessed are gender, firm size and networking.

The conceptual model holds four main hypotheses (nominated as H1, H2, H3 and H4), and each one is assumed to be mediated by demographics. A feature of Figure 1 is that hypotheses are shown as arrows. These hypotheses present on the one hand, positive relationships between market size, infrastructure, business ethics and the intensity of foreign investment. On the other hand, the negative and inverse relationship between labour cost and the intensity of foreign investment. At a greater level of detail it is predicted that those four main hypotheses are mediated by demographic variables, including personal attributes, organisational attributes and networking.

Figure 1: Conceptual Model



For simplicity and clarity the four independent variables have been categorised as 'Driver' constructs. A driver can be identified as a motivator that influences foreign investors to decide whether to conduct or withdraw from international business in a particular country. The dependent variable is the intensity of investment, which refers to the level of international investment/involvement in a foreign country. In addition, the conceptual framework also employs mediating constraints, nominated as demographics. The demographics that facilitate or impact on the investment decision include gender, firm size and networking.

METHODOLOGY

Site and Subjects

This study was conducted with 39 Western Australian businesses that were either currently undertaking FDI in China (People's Republic of China, in this study identified as China) or were in the process of engaging in financial investment with Chinese enterprises. A salient feature of the study is the respondents were either the owners of these companies, or were in positions where decisions were made to undertake FDI for the company. There were 43 respondents, of which five were equivalent to Vice Presidents. This group of exclusive respondents was chosen in the belief that people in these executive positions are the most cognisant about global investment projects and the dynamics of the overall foreign entry decision process (Kim and Hwang 1992; Chandprapalert 2000). Thus, while the sample size were relatively small, and these participants did provide quantitative data for assessments, the respondents also provided exceedingly rich qualitative information about the decision making competencies of the firms.

Procedure

A pluralist approach was adopted. Underpinning the quantitative dimension was a survey tool that was developed as a questionnaire. This questionnaire was presented to evaluate a conceptual model that was conceived from the relevant literature. Each construct of the conceptual model was measured so the hypothesised relationships between the conceptual model variables could be assessed. The qualitative dimension of the study design complemented this data collection method. In practice, face-to-face interviews were conducted to clarify aspects of the survey items as well as the quantitative findings. There is a growing evidence (Pearson and Chatterjee 2004; Teagarder et al. 1995) to demonstrate that culturally related investigations are enhanced by binding quantitative and qualitative design features.

The study design had three stages. First, a pilot study was conducted prior to the main administration of the questionnaire. This pilot test was conducted among 10 respondents whose companies are currently investing in China. In the second stage the refined survey questionnaires were personally delivered by the researcher to the study companies in Western Australia. The third stage was to conduct personal interviews. Personal interviews were conducted after examining the quantitative data. In order to avoid inter tension with some participants, the interviews were only electronically recorded when it was acceptable by the interviewee. This condition was clarified before each interview commenced.

Measures

Quantitative

Market Size Four items were adapted to measure market size. These four items were adapted from a study conducted by Chandprapalert, A. (1999). Participants were asked to rate along a seven point Likert scales, which responses range from 1 = 'Strongly disagree' to 7 = 'Strongly agree'. These items were used to examine the extent to which China's large market size has an impact on investment decision of Australian companies.

Infrastructure Measurement items for infrastructure were adapted from the work of Tseng and Zebregs (2002). This variable of infrastructure was assessed with one item that includes four sub items. The responses ranged from 1 = 'Strongly disagree' to 7 = 'Strongly agree'. An arithmetic mean was obtained for infrastructure.

Labour Cost Four items were used to measure labour cost. Based on findings by Huang (2002), the variable of labour cost has two dimensions. These two dimensions are 1) managerial perception of cheap labour, and 2) the operation cost reduction. The scale variable of managerial perception of cheap labour was evaluated with two items; and the scale variable of the operation costs reduction is evaluated by two items. Among the four items, two were reverse scored.

***Business Ethics**.* Business ethics was scored with three items. The instrument used in this study was an adaptation of scale that was redefined by Armstrong (1992), from an earlier study that was conducted by Armstrong et al. (1990). The measurement items employed in the study were designed to evaluate different ethical problems that relate to foreign operations, such as gifts/favours/entertainment, cultural differences, and knowledge of pressures to engage in small scale 'bribery', and inappropriate use of products and technology transfer. A factor analysis reduced the scale to three items.

***Intensity of Foreign Investment**.* Intensity of foreign investment was assessed with 16 items. These measurement items were employed from a study conducted by Hanson and Hedin (2007). Respondents were asked to indicate the importance of each item on a seven point Likert scale. These scales ranged from 1 = 'Extremely unimportant' to 7 = 'Extremely important'.

***Demographics**.* The demographics dimensions of the respondents were evaluated from three perspectives: personal, organisational and networking. From a personal perspective, demographics, such as gender was determined and respondents were asked to give responses to 1 = male and 2 = female. Additionally, from an organisational perspective, demographics, such as the size of the company was evaluated, and respondents were asked to indicate the total number of employees in the organisation by choosing one answer among five categories. Furthermore, networking as a mediating variable on the investigative relationships was assessed with three items that were adapted from Huang (2002).

Qualitative

Based on the findings of the quantitative data, five main research questions were derived from the quantitative results. The five research questions were determined to allow the researcher to gain a deeper understanding of the quantitative findings, and these five research questions were explored with managers or owners. The questions were:

1) How do you view China's cheap labour cost in your company's foreign investment decision?
2) What is your view on business ethics in China?
3) What do you think about the market opportunities in China to foreign investors?
4) What is your opinion on market presence to China's larger market in relation to your company's foreign investment decision?
5) How do you view the importance of market expansion for your product in your foreign investment decisions?

A total of 12 interviews were undertaken and the dialogue was accurately recorded verbatim. The responses of these interviews were first recorded with an electronic recorder, and then typed. These typed data were then evaluated with a manual content analysis (Pearson and Chatterjee 2004), and the results were recorded on a matrix, that had three main parts. The extremely left hand side of the matrix had the assigned identification number for each interviewee, the central part of the matrix (which was comprised a number of columns) showed the common main features of the responses for the interviewees, and the extreme right hand side of the matrix contained uncommon features of the responses.

In practice the responses of each interviewee were comprehensively evaluated and dominant features were recorded in fields in the central section of the matrix. These fields were nominated at the top of the central part of the matrix to give a number of columns. The number of times the notion of the field was presented by the interviewee it was recorded in the appropriate field. The less common notions, which had not demanded a specific field to this time, were written in the extreme right hand column of the matrix. When these notions accrued from some of the interviewees, these notions attracted the importance of a field. The occurrence of these items was recorded in the new field and then the notion was deleted from the extreme right hand column of the matrix. The procedure was repeated until the salient aspects of the data that were given by the 12 interviewees were recorded on the matrix. Each of the five questions was evaluated with this procedure and each question attracted a specific matrix.

Analysis

The data captured with the questionnaire survey and personal interviews were examined with a variety of statistical tests. First, after carefully imputing the questionnaire responses, these data were examined for outliners to ensure that no data entries exceed their interval range. Second, the interval validity was evaluated with exploratory factor analysis employing the Varimax option. Third, on determination of the variable factor frameworks reliability assessments were conducted. Fourth, a general interpretation of the conceptual model hypotheses was revealed by correlation analysis. Fifth, the hypothesised relationships of the conceptual model were tested with regression analysis. Finally, determinants of categorical pairs (male versus female) were assessed with T-Tests. These statistical procedures were conducted with SPSS software (SPSS, 16).

The qualitative data of the 12 interviews were analysed. First, frequencies of unique word usage were obtained to indicate the salient features of the responses to each question of the five questions. Also, latent 'messages' were ascertained by clustering of themes in the responses.

RESULTS

Quantitative Results

Demographic of the Respondents

Table 1 summarises the demographics of the respondents. It is shown in Table1 a majority of the investigated organisations have been engaging in international business for more than 10 years, and indeed, over one third of them had been active for 20 years or more. This finding demonstrates the strength of international experience of the respondents. A second feature of the sample was that almost half of the participant organisations employ 300 or more employees, about a quarter employ less than 50 employees whereas about 16 per cent employs 51 to 150 employees. These numbers show that the respondents' companies represent a fair sample of small, medium and larger companies. A third feature of the sample was that most respondents were involved in the education domain and the manufacturing sector (37% and 27%, respectively). A fourth feature of the sample was that a majority of participants are at senior managerial level or above, which enriches the study information in terms of the decision making phenomenon. A fifth feature of the sample was that most respondents have been working in their current position for less than five years. Respondents are predominantly male (75%), which may suggest that male leaders are more dominant and active in senior position in Western Australian companies that engage in overseas investment in China. A sixth feature of the sample was that most of the study organisations have employed either exporting or joint venture as their investment type for entering foreign markets. These two types of investments are characterised as low intensity investment. In addition, the low level of total share turnover in China further confirms the notion that most Western Australian companies have a low level of investment involvement in China. In short, the demographic information summarises respondent characteristics and provides a foundation for conducting psychometric assessments.

Table 1: Demographics % (N = 43)

Years in International Business		**Job Years**	
1-5	9.3	Less than 2	32.6
6-10	16.3	2-5	44.2
11-15	20.9	6-10	7.0
16-20	18.6	11-15	7.0
More than 20	34.9	More than 15	9.2
Firm Size		**Gender**	
Less than 50	23.3	Male	74.4
50-150	16.3	Female	25.6
151-250	7.0		
251-300	4.7	**Investment Type**	
More than 300	48.7	Export	46.5
		Licensing	4.7
Business Sectors		Franchising	2.3
Education	37.2	Joint Venture	27.9
Manufacturing	27.9	Sales Subsidiary	9.3
Mining	14.0	Production Subsidiary	2.3
Services Professionals	18.6	Full Scale Subsidiary	2.3
Other	2.3	Other	4.7
Title			
Managers	30.2		
Directors	18.6		
Executives	34.9		
Other	16.3		

Descriptive Statistics and Correlations

Table 2 presents the means, standard deviations, and bivariate correlations among the study constructs. It is shown in Table 2 that market size and infrastructure have mean scores greater than four, which indicates that Western Australian investors tend to focus on expanding to the Chinese market due to the large market size, and that infrastructure is perceived an important factor when deciding to engage with Chinese businesses. The content of Table 2 reveals strong support for the four main study hypotheses. Nevertheless, the linkages of the conceptual model will be evaluated with the more powerful regression analysis.

Table 2: Descriptive Statistics and Correlations (N=43)

Variables	Mean	STD	ơ	1	2	3	4
1. Marsize	4.28	1.49	0.83				
2. Infrastr	4.16	1.44	0.82	.541**			
3. Labcost	3.42	1.66	0.90	.288	.225		
4. Busethic	3.33	1.45	0.75	.183	.147	.610**	
5. Foreignnew	4.04	1.18	0.90	.429**	.395*	.688**	.555*

Notes:

a. Marsize = Market Size, Infrastr = Infrastructure, Labcost = Labour Cost, Busethic = Business Ethics, Foreignnew = The Intensity of Managerial Decision Making to Engage in foreign investment, and STD = Standard Deviation.
b. ơ = Reliability assessment.
c. * p<0.05, and ** p<0.01.

Regression Analysis

Regression analyses were performed to test the four main hypotheses. Each hypothesis was tested independently, and the results have been presented in Table 3. It is shown in Table 3 that 42.9 percent of the variance was explained for the linkage between the variable market size and the intensity of managerial decision making to engage in foreign investment. The significant result at the p<0.001 level provides strong support for hypothesis H1. Table 2 shows that almost 39.5 percent of the variance was explained for the bivariate relationship between infrastructure and the intensity of managerial decision making to engage in foreign investment. The significant relationship at the p<0.05 level provides empirical support for hypothesis H2. Specifically, that level of infrastructure (was perceived by the respondents) plays a positive role in making investment decisions. Also in Table 2 is displayed the results of regression analyses for assessing hypothesis H3, which was supported, as the findings are significantly positive for the relationship between labour cost and the intensity of managerial decision making to engage in foreign investment. This finding is robust as the explained variance is 68.8 per cent. The amount of variance explained for the relationship between business ethics and the intensity of foreign investment was 55.5 percent, providing confidence in the forecasted linkages. Both the relationships were significant at the p<0.001 level providing support for hypothesis H4. Thus, despite the small sample size of managers, overall the study findings provide strong confidence for the four central hypotheses of the conceptual model, expressed as Figure 1.

Table 3: Results of Regression Analysis for Market Size, Infrastructure, Labour Cost, Business Ethics (the Independent Variables) and the Intensity of Foreign Investment (N = 43)

Variables	**The Intensity of Managerial Decision Making to Engage in Foreign Investment**			
	b	**t**	Adjusted R^2	F
Marsize	.429	2.807***	.160	7.878***
Infrastr	.395	2.542*	.132	6.461**
Labcost	.688	5.614***	.459	31.519***
Busethic	.555	3.943***	.288	15.548***

Notes:
a. Marsize = Market Size, Infrastr = Infrastructure, Labcost = Labour Cost, and Busethic = Business Ethics.
b. b = beta, t = value, F = F statistic.
c. *p<0.05, **p<0.01, and ***p<0.001.

The mediating influence of gender, organisational size and networking on the four fundamental hypothesised relationships of the conceptual framework was assessed by regression analysis. The results are presented in Table 4, which indicate that male mangers from Western Australia companies tend to believe that felt that infrastructure and labour cost play a significant role in making investment decision for conducting business in the Chinese marketplace. In addition, the results in Table 4 show that the mediating effect of organisational size had a non significant effect on the relationships between the four independent variables with one exception. The data show that the relationship between labour cost and the intensity of managerial decision making to engage in foreign investment was mediated by the effects of organisational size at a level of p<0.001 for organisations that employ less than 50 to 250 employees. Furthermore, it is illustrated in Table 4 that the relationships between the independent variables and the dependent variable were not often mediated by networking, except when respondents gave low scores of networking. Interestingly, the connection between labour cost

Table 4: Results of Gender Effects, Organisational Size Effects and Networking Effects on Regression Analysis for the Independent Variables Linkages with the Dependent Variable.

Variables	The Intensity of Foreign Investment											
	Gender				Organisational Size				Networking			
	Males		Females		Less than 50 - 250		More than 250		Low		High	
	b	t	b	t	b	t	b	t	b	t	b	t
Marsize	.18	1.15	.30	1.33	.23	1.47	.10	.38	.17	1.31	.12	.45
Infrastr	.32	2.09*	-.56	-2.25	.28	1.82	.01	.04	.18	1.40	.20	.80
Labcost	.37	2.32*	.76	2.18	.63	3.79 ***	.34	1.44	.72	5.10 ***	.04	.14
Busethic	.22	1.15	.14	.40	.05	.77	.44	1.79	.09	.66	.51	1.68
Adjusted R^2	.57		.68		.66		.44		.79		.29	
F	9.50 ***		5.70 *		9.64 ***		4.34 *		18.40 ***		2.51 *	

Notes:
a. Marsize = Market Size, Infrastr = Infrastructure, Labcost = Labour Cost, and Busethic = Business Ethics.
b. b = beta, t = value, F = F statistic.
c. Males, N=32, and Females, N = 11; Less than 50-250, N =20; and More than 250, N= 23 and; Low Networking N =23; and High Networking, N=18.
d. *p<0.05, and ***p<0.001.

and the intensity of foreign investment was mediated by low levels of networking. Overall, few significant mediating effects were detected. Despite the relatively high adjusted R square values, that show the robustness of the model, few results were significant, which is understandable given the small sample of managers. Overall, the content of Table 4 is indicative of marginal support for hypotheses H5, H6 and H7. Nevertheless, given the small sample size, and despite the observation of some trends in the statistical results, that are aligned with the forecasted connections, caution needs to be exercised. However, these findings do provide foundation for further lines of investigation.

Qualitative Results

Demographic Profiles

A total of 12 interviews were conducted with representatives of the study sample. The demographic profiles of the representatives are presented in Table 5. Table 5 shows that 75 percent of the respondents were male and that the respondents were distributed across the study business sectors of education, manufacturing, mining and services.

Table 5: Demographic Profiles % (N=12)

Gender	
Male	75
Female	25
Business Classification	
Education	33
Manufacturing	25
Mining	25
Services	17

In spite of the relatively small sample size (n=12) the data were exceedingly rich as extensive comments were given to the five questions. In addition, the respondents were in decision making roles of companies that are either operating in China or planning to invest in China. The sequence of presentation is to first provide the question, followed by an overview of the key features delivered by the Table content.

Q1: How do you view China's cheap labour cost in your company's foreign investment decision?

In addressing the first question, a number of features were obtained. A predominant feature of is that a majority of the respondents perceived that cheap labour had no significant impact on their foreign investment in the Chinese marketplace. A potential reason for this salient observation may be drawn from the types of investments and involvement by individual organisations. Predictably, the responses from the interviewees, who represented nine organisations could be deemed 'not related' to labour costs because these companies are involved in exporting only. In short, these respondents stated that cheap labour costs do not impact on the investment decision in China for their company. Understandingly, three other respondents claimed that cheap labour costs would be an advantage when the company is manufacturing goods in China. Hence, it is reasonable to assume those Australian companies that are engaged in selling or exporting products to China are likely to pay less attention to the importance of low labour costs, whereas those companies that are involved in manufacturing products in China have a benefit in and preference for China's cheaper labour costs relative to Australian labour. Indeed, 81 percent of the responses underpin this observation, which attract further discussion.

Another feature to be drawn is that there is an orientation towards global services. In fact, a quarter of the respondents commented on the quality in the new era of commercialisation. For example, some of the respondents' organisations prefer to offer quality services to meet the local demand from China. One respondent's comment further stated that:

> *"…we are able to deliver good quality outcomes, so that we really want to be the partner of first choice, preference partner with the Chinese organisations that share our goals."*

Q2: What is your view on business ethics in China?

In gaining a comprehensive understanding to the concept of business ethics, the respondents comments indicated that the perceived importance of business ethics from the foreign investment decision across three streams.

The first stream is realised as a large number of the comments indicated business ethics needs to be taken into account in making a foreign investment decision in China. In fact, 25 percent of the responses and ten of 12 respondents suggested that business ethics is an important area for consideration. Another eight respondents also reiterated the need to teach and learn about business ethics, identifying and highlighting the notion of cultural differences, which was also mentioned as important by some respondents. Another respondent has further suggested

> "*…you have to understand, possibly some means of gathering favour by potentially offering presents or gifts to major decision makers potentially in government. So business ethics will definitely be an area for consideration in terms of making decision to invest in China*."

It is, therefore, reasonable to assume issues that are related to business ethics need to be considered in relation to foreigners deciding to invest in China.

The second stream is the respondents tended to have a lack of understanding of business practices and procedures in China. The limited understanding to business practices may be caused by a lack of involvement or interaction with Chinese business people or partners. The business framework in China is moving from central bureaucracies to a competitive marketplace, and this moving business framework may limit foreign investors from gathering useful information and gaining knowledge about China's competitive market. Arguably, China's competitive marketplace presents major market opportunities, that may attract foreign investors, however, they may need to fully evaluate the business standards and practice in order to be engaged in a contemporary Chinese business environment.

The final stream is that bureaucracy is a challenge for investors who intend to operate within China. One respondent especially summarised the challenge.

> "*A lot of government policies or ruling in China make very difficult to do business some times. Particularly, for example, getting money out of China and paying for our programme that we even got contract for, so, it is very hard for them, it is very difficult to get the money out to pay, because they have to go through a lot of things to get their money out*."

Hence, in the decision of investing in China, respondents perceived issues that related to business ethics need to be considered.

Respondents provided a number of other comments, such as a belief that business practice in China is changing 'towards Western way of doing business'. This observation may potentially influence respondents' views on the concept of business ethics in China, which in turn may affect the decision to invest in China. A further investigation on such matters may offer insightful information to the understanding of business ethics in China. This finding may attract future researchers to gain a thorough appreciation to the concept of business ethics in the Chinese economic context. In addition to the business ethics, respondents were asked to indicate their viewpoints on market opportunities in China.

Q3: What do you think about the market opportunities in China to foreign investors?

A consolidation of the responses to question 3 indicated two key features. The first feature is that eight respondents suggest there are major opportunities in the Chinese marketplace, and the second feature is that the potential market opportunities will be increased. These notions were summarised by most of the respondents (ten out of 12) who perceived that China is a huge market with potential either now or in the future. In fact, 65 percent of the responses provided the foundation for this observation.

A number of respondents have emphasised the essential nature of partnership/collaborative work in operating business in the Chinese marketplace. For instance, one respondent indicated that:

> *"...If we are engaged, then it will just seem to be opportunistic short term, and as a result, our company has done is to make sure we are building long term relationship as we are visiting and spending time in China regularly…"*.

This comment suggests that partnership or collaboration is likely to have an impact on facilitating business operations in China. In addition, the Chinese concept of patrimonialism may play a role in business engagement in China by Australian companies. The patrimonialisim concept embraces a number of characteristics, such as paternalism, mutual obligation, familialism, personalism, and connections. Put in a simpler way, the relationships may be developed externally through different channels. For example, a connection or relationship may be built through private and personal channels when the third party is involved. Other events such as banquet hosting and social gathering may be seen as other approaches to build relationships or networks (Ai 2006). External relationship building or development may continue to play an active role in the Chinese society, that may affect Australian companies' decision to invest in the Chinese marketplace. Hence, a need to further evaluate the concept of patrimonialism may widen the understanding the determinants of Australian foreign investment in China.

An emerged or latent feature is that the level of infrastructure or existing facilities in China is deemed as a critical element for investment decisions in China by Australian companies. Respondents paid a significant amount of attention to the aspect of infrastructure, in terms of physical infrastructure, such as transportation and banking systems. These responses suggest that although China is an emerging marketplace with increasing economic development and this attracts a large amount of investments, an increased level of infrastructure may encourage more investors to conduct business in China. Indeed, this notion has attracted 11 percent of the comments, and this observation has provided a platform for further discussion, which will be presented in the section of emerging issues.

4) What is your opinion on market presence to China's larger market in relation to your company's foreign investment decision?

The answers to question 4 illustrate that most of the respondents perceived market presence in China's larger market as an important competitive advantage. The perception of this agreement is given on the consideration of China being a large and growing market as stated by respondents. The large Chinese marketplace provides major market opportunities for investors to be present and benefit from the potential opportunities. In addition, the Chinese marketplace is perceived by eight respondents as continuously developing or expanding. This increasing demand in China may be seen as a driver for foreign investors to conduct business in the country. Although China is an increasingly customer driven market with demand, foreign investors are interested in providing quality services or products to satisfy Chinese consumers.

Another emerged feature is the importance and strength of relationships or partnerships in the long term. Interestingly, respondents tend to show preference on intensifying the current relationships rather than expanding the business and potentially risk the partnership. In fact, this notion has attracted about 28 percent of the comments that indicates the importance of maintaining or nurturing the relationships. According to Ewing, et al. (2000), to maintain and nurture relationships with partners may take a long time and need a great amount of effort; the outcomes may offer mutual benefits. For instance, future business opportunities may be shared between two parties that may provide the key to gain mutual trust (Ai 2006). Therefore, approaches for maintaining and enhancing an existing relationship may play critical role in business engagement in the Chinese marketplace. This action may help foreign companies to build a long term competitive standing in China and eventually to become successful in the market. A more detailed discussion of this emerged feature will be presented in the emerging issues section.

Q 5: How do you view the importance of market expansion for your product in your foreign investment decision?

Answers to question 5 suggest that eight individual respondents have given comments on the importance of focused market expansion as part of the investment decision. For instance, some respondents suggest that their companies are interested in further strengthening the relationship with current partners in the long term. Indeed, one respondent comment supported this notion and indicated that:

> *"I think our expansion needs to be and it is very controlled. In volume, I don't think we should, we should continue to build relationships and capability so that in many ways, we increase the depth."*

Another notion that can be found is that Chinese customers drive the demand for the products. Due to increasing demand, China is also seen as a potential market with opportunities for further expansion by most of the respondents. This notion is further supported by the belief that China is a growing and developing nation with a large population. The Chinese marketplace may continue to be a market for receiving foreign investment from different nations. The diversity of the investments within the Chinese marketplace may over time have shifted the market to a competitive one. It may be argued that the necessity for competing in the Chinese market is to provide quality services or products to satisfy Chinese consumers. Consequently, the essence of providing quality and standard services is perceived by respondents as a focus on developing a 'win-win' situation between parties or partners.

Summation of the Respondent Comments

When addressing the interview questions, participants gave 'direct' and 'latent' responses. For the 'direct' responses, comments were given by respondents that directly addressed to the questions. The 'direct' responses could be coalesced by summarising the fields to indicate how they are perceived to be linked. These comments are argued to address five dimensions (i.e., 1) operational costs, 2) consideration of business ethics, 3) massive market opportunities, 4) the importance of market presence, and 5) focused market expansion) as discussed in the next section. In addition, the 'latent' responses or emerging/subliminal issues were also given by respondents. These responses were derived when respondents' perception of others may be influenced by factors of which they are not fully aware of (Vecchio, Hearn and Southey, 1992). Two major emerging issues were formed. The first emerging issue is that respondents indicated that the level of infrastructure in China may have a significant impact on investment decisions. The second emerging issue is that respondents commented on the importance of networking or partnership in relation to investment decisions. These coalesced dimensions and emerging issues provide a foundation for further evaluation, and these are presented next.

Direct Response In reviewing the information, the respondent comments were coalesced into five major dimensions. These are 1) operational costs, 2) Consideration of business ethics, 3) massive market opportunities, 4) the importance of market presence, and 5) focused market expansion. In addition, Table 6 indicates how the combined dimensions were obtained, and where the sources were derived. The final column of Table 6 shows the total percent to each dimension.

Table 6: Summarisation of the Respondent Comments

Dimension	Description	Percent
1	Operational Costs	81
2	Consideration of business ethics	76
3	Massive market opportunities	65
4	The importance of market presence	60
5	Focused market expansion	63

The first dimension of *operational costs* has attracted a total of 81 percent of the comments across the five questions. More specifically, operational costs, such as cheap labour costs may be seen as an important area for consideration in the investment decision aligned with an industrial focus. For example, cheap labour had no substantial impact on foreign investment in the Chinese marketplace, when companies are involved in exporting, and no manufacturing. In contrast, companies that are engaged in labour intensive industries, such as manufacturing their goods in China, tend to pay attention to China's relatively cheaper labour costs.

The second dimension, *consideration of business ethics* attracted 76 percent of the comments. Indeed, most respondents commented on the importance of considering business ethics in the investment decision (25%). Due to the limited understanding of business ethics in relation to cultural differences between Western and Asian societies, a concern of teaching and learning of business ethics has further confirmed the essential consideration of business ethics in undertaking investment in China.

The third dimension, *massive market opportunities* attracted 65 comments. A large number of comments were revealed, where respondents believed that China's large market may continuously offer huge market opportunities. These potential investment opportunities will be increased either now or in the future as a result of the growing middle class economy in China.

The fourth dimension is *the importance of market presence*. A total of 60 percent of the comments have been given by respondents within these fields. To be present in China is important and this notion has attracted about one fourth of the comments. In addition, China is seen as a large and growing market with increasing consumer demands. Hence, a continuous development in the emerging market is essential as most respondents perceived.

Evidence suggests that the *focused market expansion* in China is the fifth dimension. A total of 63 percent of the comments addresses this notion. Respondents believed that there is a wide scope of market expansion for their products in China. Although China is a growing and developing nation, and offers great market opportunities, the market expansion is focused. Most respondents claimed their organisations intend to strengthen or consolidate the current market with a purpose of satisfying the increasing demand of Chinese consumers.

Overall, it can be assumed that the qualitative findings have not only provided an overview of the key features of the five main questions, but also offered a platform for gaining a comprehensive understanding of the quantitative findings.

Emerging Issues Two emerging or latent features have been formulated from the qualitative findings. The first feature is that respondents have given a significant amount of attention to the impact of infrastructure in the decision to invest in China. The second feature is that the importance of the concept of relationship or the phenomenon of networking has been perceived as a long term strategy for investment decisions. These latent findings highlight that networking or relationship may be seen as an alternative approach for facilitating the engagement of foreign investors in the Chinese

marketplace. The evolution of these two elements offer a wider scope for further investigation. A more comprehensive understanding of the meaning of these two features (i.e., the level of infrastructure, and networking/relationship), that indirectly emanated during the interviews, will be explored in the following section.
The first emerging issue is that the level of infrastructure in China allegedly has an impact on a company's investment decision. For example, one prominent comment that was given by a respondent from the mining sector reveals the discernable relevance of infrastructure for foreign investment.

> "…*because we are a small company, we mostly explore, where there is already existing infrastructure, so existing pipe lines and those sorts of facilities, so that might limit our investment or limit us looking at China at this point possibly. Also, we are not big enough to fund our own pipe lines. So for us, we are thinking a partnership kind of thing, who might provide the facilities for us to further explore the market, and the plan we have at the moment is probably only for the next two to three years, and we are really trying to consolidate what we are doing in Australia and in America first, but then we would like to look further within Asia, so certainly China will be on that list, however, if we go to China and found the natural resources, but we can't get it out. Also, if it will take years for us to start making money on the investment, then, it will be a big decision for us to make in terms of investing in China. Hence, from our company's perspective, infrastructure is very important for our company's investment decision."*

In addition, respondent from the educational sector spontaneously commented about the relevancy of infrastructure in terms of investing in China.

> *"… you really can't go into an institution that has very basic facilities that you can find in various parts of China to deliver the same program if they don't have the physical resources. So, infrastructure is absolutely important…, and therefore we need the same sorts of infrastructure (to Australia) in order to provide quality services and meet the standards."*

Therefore, it is reasonable to assume that the level of infrastructure in China can be seen as an aspect that will be given significant consideration by an organisation when deciding to invest in China.

The second emerged feature is the importance of networking or relationships in the Chinese culture. According to Tsang (1998), guanxi or networking is nested in the Chinese culture, and guanxi can be treated as connections, which may be used as an important approach to facilitate business operation in China. For example, Huang (2002) further stated that the phenomenon of guanxi is critical in running a business in the Chinese economy, as guanxi may help business people obtain scarce resources and circumvent the bureaucratic procedures. It may be argued that guanxi can be used by foreign investors as an effective management tool for conducting business in China. Indeed, the utilisation of guanxi has become increasingly pervasive, and also guanxi utilisation has been perceived to have certain implications for foreign investors to conduct business in China (Huang, 2002). Hence, with the increasing economic development, and China continuously attracting investors, networking or relationships play a significant role in assisting business operations in the Chinese marketplace, and these engagements may have an impact on investment decisions in China. This notion was summarised by one respondent who succinctly stated:

> "…*we formed a very strong relationship with one vocational college in China that is because initially, it came through the relationships between the city in China and Joondalup…"*

Moreover, the anecdotal evidence of the interview suggests that some of the respondents tend to favour networking relationship as a potential strategy for operating business in China. For instance, one respondent indicated:

> *"…Trust, and share values, with the other parties, through that you can help to develop relationships, because, it does become personal, you understand each others believes, aspirations, …and help each other learn about the culture and to me that is the most worthwhile approach and it is also there is somebody that can enhance the rewards from that kind of exchange in any kind of collaboration, whether it is two people working together, or two countries working together, it is built on a quality of good, and trusting relationship…If you are going to have a long term relationship that is going to produce the best outcomes, you have to go indepth and you have to commit to those focused relationships…"*

The significance of networking or relationships for those respondent organisations that are already operating in China emerged. Indeed, there were comments by the interviewees that their organisations place a significant amount of attention on further developing or strengthening the operational relationships. An example was provided by one respondent who made reference to the phenomenon of relationships and networking.

> *"…so we are more into relationship, network, and we are more interested in continuing to develop good, long term relationships with Chinese partners and clients rather than risk those relationships by taking on more and doing more businesses, where we will be stretched to soon and not be able to provide the standard services that our current clients expect."*

In a similar context, another respondent spoke about the profoundness of relationship in business engagement with Chinese mainland firms:

> *"…basically, we want to strengthen the relationship we have already had and provide the quality service and education. Without growing too much by risking the relationships that we have already built and risking the services to the students as well."*

These comments demonstrate the significance of developing and growing networks or relationships to facilitate a company's foreign operations in China. In particular, from a long term perspective, networking or relationships may assist foreign companies to further expand business engagement within China.

Overall, the findings indicate that the two emerging issues are essential aspects for foreign investment decisions in China. For example, the level of infrastructure is perceived as an important area for consideration in investment decision. To some extent, a sufficient level of infrastructure is likely to affect some organisations from undertaking investment in the Chinese marketplace. Similarly, networking or relationships play a critical role in the investment decisions. More specifically, the importance of networking or relationships in China may assist some companies to work collaboratively towards a trusting relationship.

DISCUSSION

The findings of this study in relation to the first research objective can be summarised as three major points. First, the study observations support the initial assumptions that there are positive relationships between the independent variables (e.g., market size, infrastructure, and business ethics) and intensity of managerial decision making to engage in foreign investment in China. Second, the study results indicate that the effects of labour cost on managerial decision making to undertake foreign investment in the Chinese marketplace might be better understood if the analyses are separately based on the investment types. This contention emerged after cursorily discussing the lack of support for hypothesis three with some of the managers. Third, the study findings revealed that networking plays a significant mediating role in the investment decision. Despite the relatively small sample size a reasonable level of support was observed for the four main hypotheses expressed in the conceptual model of Figure 1.

Interpretation of the results of the regression analyses for the mediating effects was supplemented by previous research findings and intuition. For example, the investigated models for gender were found to be relatively robust by the adjusted R square values. But the low incidence of significant mediating findings might be expected on two grounds. First, the small and unbalanced sample sizes was unhelpful. Second, the comparative results across gender are also reflective of a study with international managers across 10 Asian counties (one was China). In this study Chatterjee and Pearson (2006) observed similar patterns for perceived work goal preferences by female and male managers, who were embedded in similar work climates. In addition, the data of Table 4 revealed that for smaller organisations the relationship between labour cost and the intensity of managerial decision making to invest with Chinese firms was enhanced. It is likely to the relationship manifests as small organisations are more dependent on cheaper labour for firm survival, and thus, the level of managerial decision making is highlighted. The results of Table 4 were also suggestive low levels of networking enhances the connection between labour cost and decision making intensity. This model was more robust as indicated by the adjusted R square value of 0.79. A pertinent finding of the Table was that the regression analyses with labour cost as a predictor variable was consistently mediated by cells of reasonable sizes. In spite of the few observed significant medicated effects the results provide underpinning to encourage further systematic investigation of the predictors of FDI.

Two prominent features were revealed from this study. The first salient feature is that the study reveals the intensity of managerial decision making to undertake foreign investment in China, especially from Western Australia is relatively low (i.e., X=4.04). Despite the low level of foreign investment, there is a wide scope for Australian companies to expand into the Chinese marketplace. For example, China's large market provides major opportunities for foreign investment, and these potential investment opportunities may be driven by the growing number of middle class consumers. According to Hodgson (2007), the increasing number of middle class consumers along with their significant purchasing power can be seen as an indicator of China's economic success. In turn, China is an extremely important marketplace for the international companies. Furthermore, a higher proportion of the population has acquired wealth through the economic development of China, and hence, the Chinese marketplace has potential to become a dominant market for foreign investors. Arguably, the growing demand in the Chinese marketplace provides a wider scope specifically for Western Australian firms as well as Australian companies in general to further increase the amount of investment in China. Over time, the intensity of managerial decision to engage foreign investment from Australia to China may be increased by means of shifting from exporting only to a more complex business involvement such as joint ventures.

Historically the low cost of Chinese labour has given advantage to foreign investors, but this attraction is waning. With increasing economic Chinese national developments the orientation towards China's cheap labour over time has shifted. Now China has become a competitive marketplace, and foreign investors are becoming more interested in providing quality services or products to satisfy consumer demand in China rather than simply seeking cheap labour cost. At the same time, the shift towards such change has encouraged Chinese consumers to seek higher quality of services or products. Indeed, the Chinese consumers are not simply accepting what producers believe will be accepted, but the general population is becoming more sophisticated in their preferential choices. The changing pattern of China as an emerging nation has moved away from a central bureaucratic market to a modern, competitive and socialistic marketplace. Hence, it may be argued that foreign investors need to fully understand the new changing business environment in order to effectively operate in the Chinese marketplace.

CONCLUSION

This paper investigated the determinants of Australian managerial decision making to engage in foreign investment in China. Specifically, the aim of this study was to examine a set of constructs, namely 1) market size, 2) labour cost, 3) infrastructure, and 4) business ethics in relation to Australia's managerial decision making to undertake foreign investment in the Chinese marketplace. An investigative model was developed after a comprehensive reviewing of the literature that related to the determinant of foreign investment in China. The data reveal all four factors of market size, infrastructure, labour cost and business ethics had a significant impact on the investment decision making intensity of the study managers to be engaged in the Chinese marketplace.

This research has determined the extent to which Western management strategies and approaches are practiced by Western Australian managers who are conducting business with Chinese organisations. A strong inference of the study finding is companies that are planning to invest in China may need to gain an indepth and comprehensive understanding of the diverse range of management practices in order to effectively operate in the competitive Chinese marketplace. Despite the fact that this study provides some additional information to the understanding of the determining factors of investment decisions in the Chinese marketplace by Western Australian companies, this study has boundaries in terms of generalisibility. The findings of this study focus only on companies in Western Australia, which is an Australian state of relatively small population. Arguably, the determinants of Australian managerial decision making to engage in foreign investment as a whole, and across different industries might vary across the nation, which provides a challenge for researchers.

A salient feature of the study is that data were obtained mainly from the executive management of the study companies. These respondents have a considerable influence on the strategic decision making of the investigated organisations. And while the study might be considered as exploratory the finding do provide relatively strong confidence for the presented conceptual model. Thus, the presented paradigm provides a platform for further more comprehensive assessments with managers of foreign companies who are conducting business within the Asia Pacific arena in general, and with Chinese companies in particular.

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