Linnæus University
Sweden

Master's Thesis

The Dark Souls of Internationalization
Video Game Developers Enter the Chinese Market

Author: Michel Wagner
Supervisor: Selcen Ozturkcan
Examiner: Richard Owusu
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Sweden

Abstract

This thesis analyzes how the institutional environment of the Chinese market affects market entry by foreign PC video game developers. The thesis utilizes a qualitative, multiple case study of five independent PC video game developers from around the world. The results of the thesis finds that despite China's strict rules regarding video game publishing by foreign developers, culture and language are stronger influences on market entry strategies than Chinese regulations for the PC platform. This is due to the prevalent use of Steam, not only by foreign developers, but also their Chinese partners who publish the game to bypass the approval process mandated by the State Administration of Press and Publication (SAPP). The study also finds that, despite being in a leveraged market position due to regulations, Chinese publishers provide host of services for the developer partners for a revenue share deemed within industry standards. Additionally, localization strategies are discussed by each of the cases and this thesis finds that, while a basic translation can have success in the Chinese market, utilizing native Chinese speakers has a significant impact on a game's success, regardless of the professional level of the translation. Finally, despite the notoriety of piracy in China, developers expressed indifference to the practice, however, several methods have been identified to help mitigate the activity.

Key words

Video Games, Internationalization, China, Institutional Environment, Localization, Piracy

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"What you pursue will be yours, but you will lose something dear…"

- *Cait Sith, Final Fantasy VII*

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1 Introduction

This chapter provides readers with a background of recent events, existing literature, and gaps within the topic. Finally, this thesis states its purpose and the questions it seeks to answer.

1.1 Background

The Rise of the Chinese Video Game Market

Today, China is the largest video game market in the world (Dong and Mangiron, 2018), with market projections approaching $42B USD by 2023, $16B USD of which comes from PC (Niko Partners, 2018; Niko Partners, 2019A). The Chinese market is driven by the approximate 644M gamers, and expected to grow to 768M by 2022 (Niko Partners, 2018; Niko Partners, 2019A). China's PC gamers are responsible for downloading over 100 petabytes (1 petabyte = 1,000 terabytes) of game downloads per week on Steam (Steam, 2020), the world's largest digital store. However, the Chinese market is filled with barriers and complexities that challenge any developer (Liao, 2016).

Since the 1980s, Chinese society has distrusted video games, considering them "digital heroin" (Szablewicz, 2010; Liao, 2016). The cultural attitude stems from a Wanwusangzhi proverb implying, "indulgence in playthings will sap one's spirit," which sees video games as a means of moral corruption and addiction (Liao, 2016). In the 2000s, China reformed their video game regulations, banning consoles and arcade machines, though PC and handheld gaming remained legal (Takahashi, 2008; Messner, 2019), and levied a 130% tariff on all imported video games with an additional 17% tax on all video games (Liao, 2016). Additionally, in response to South Korean developers accounting for 70% of the Chinese market, foreign developers are now required to partner with a Chinese publisher (Jin, 2010; Messner, 2019).

Due to the high cost of games from heavy taxation and growth of broadband internet, piracy through the use of peer-to-peer networks became rampant (Liao, 2016). As a result, games had to be sold as a service, as piracy became the means to obtain games. This led to the creation of LAN cafes, free-to-play models, and online games (Messner, 2019). In 2018, citing concerns over violence, gambling, and the rapid growth of the industry, China created the State Administration of Press and Publication (SAPP) as the sole authority on game approvals, and announced an approval freeze on all games lasting until December 2018 (Niko Partners, 2019B; Chen et al., 2018). SAPP announced that approvals would be limited to 5000 games per year and committed to making regulations more transparent to encourage self-regulation (Niko Partners, 2019B). In addition to existing bans on pornography, content violating China's constitution, public ethics, culture, and traditions; images of dead bodies or pools of blood (of any color) are now prohibited (Liszewski, 2019). Additionally, developers are now encouraged to be historically accurate and promote Chinese culture in a positive light (Messner, 2019; Liszewski, 2019).

Adapting to the Chinese Market

The video game industry is no stranger to adapting to censorship. Ratings boards are self-regulating advisory groups that categorize games based on age appropriateness, similar to the movie industry (NCAC, ND). Additionally, banning games based on content or cultural sensitivities is not uncommon even in western markets (Kuhiwczak, 2009). Germany's ban on Nazi imagery has been relaxed, but extreme violence and gore remains censored, resulting in dozens of popular games being banned in the country (Handrahan, 2018).

China is unique compared to most Western countries regarding censorship as China has no ratings board, meaning games must be appropriate for all ages (Dong and Mangiron, 2018; Messner, 2019). China's censorship process is also considered harsh, vague, inconsistent, and contradictory under its previous process (Liao, 2016; Messner, 2019; Dong and Mangiron, 2018). In 2013, despite never being released in

the Chinese market, Electronic Arts' Battlefield 4 was banned from the country for "cultural invasion" (Parrish, 2013). The Chinese translation "ZhanDi4" was censored on social media, blocked from sale, and all related materials were banned (Jiayi, 2013; Tassi, 2013), however, the game can still be found through unofficial channels (Jiayi, 2013; Good, 2013). Finally, geopolitical matters have resulted in a cessation of approvals for South Korean developers after political tensions between the countries escalated in 2017 (Ye, 2019).

While consoles have official digital stores that are curated for China's regulations, PC digital stores have been operating normally without government approval (Messner, 2019). For instance, *PlayerUnknown's: Battleground*, a South Korean game heavily altered in China, and *Grand Theft Auto V* (five), a game heavily criticized by many western governments for its graphic content, can be found in their global release versions on Steam (Messner, 2019). When asked why China has not shut down Steam, Niko Partners, an Asia-based market research firm, responded, *"Everyone knows it's there and they shut down other systems, they lock things regularly…How that's been continuing? I don't know"* (Messner, 2019). Steam has recently partnered with Perfect World, a China-based game developer, to create a Chinese approved version, and suggested that unrestricted operations in the country may be ending (Tapsell, 2019; Messner, 2019). Despite this, the Epic Games Store has recently entered China and has operated as Steam has, leaving it as the remaining unregulated market for unvetted games (Messner, 2019).

If China restricts Epic and Steam from selling their games, this narrows developers market entry strategies to partnerships with Chinese publishers and being forced to edit content deemed objectionable by the Chinese government through localization. Localization is used in nearly every video game for the purpose of translating games to other languages, however, in cases like Nazi imagery in Germany, localization is also used to alter objectionable content as well. This process has its own drawbacks, as high-speed internet has allowed developers to maintain their games post-launch.

Consequently, each version requires redundant testing and troubleshooting, which can cause localized versions to go unmaintained for years, without an update to non-global versions (Messner, 2019). Due to rising production values (Consalvo, 2006; Dong & Mangiron, 2018), developers may seek to cut costs and ensure better service to its customers while increasing profits by having one unified version of the game (Park, 2018; Messner, 2019). This has led to widespread pushback (Park, 2018) as fans have expressed concern that their games are effectively being censored by China (Inside Gaming, 2019).

1.2   Problem Discussion

China has become the largest and one of the most difficult markets to enter due to protectionist measures, piracy, and social concerns over the medium. However, literature on video games in the Chinese market is full of opportunities to expand on various disciplines (Zhang, 2012; Dong and Mangiron, 2018; Cao and Downing, 2008), especially international business literature.

Ernkvist and Strom (2008) finds that China's decision making consists of three elements: techno-nationalism, control of information, and pragmatic nationalism. Through these elements, this thesis uses existing literature to explin barriers to entry faced by video game developers entering the Chinese market.

Techno-nationalism

Liao (2016) states that Asian countries develop state strategies regarding technology to maintain autonomy and cultivate a globally competitive national industry. Several authors discuss various market protectionisms that affect foreign game developers including unfavorable tax policy (Liao, 2016; Cao and Downing, 2008; Ernkvist and Strom, 2008), requirements of Chinese publishers (Cao and Downing, 2008; Ernkvist and Strom, 2008), and piracy (Liao, 2016).

Liao's (2016) article discusses piracy as an accepted circumstance in an effort to grow China's video game industry, along with the use of heavy tariffs and censorship on foreign developers. This is reinforced by Cao and Downing (2008) who cited the high cost of games and consoles as a reason for piracy, while further discussing that, despite large console makers having little or no official sales in China, their pirated copies are commonly found in the country. Liao's (2016) article supports Ernkvist and Strom's (2008) comments that, despite the creation of intellectual property (IP) protection laws, virtually no enforcement has been made to protect a developer's property, nor punish those who break them. As technology advanced, this lack of enforcement has led to consoles being smuggled and jailbroken for the purpose of playing uncensored, pirated games, and the formation of volunteer translation teams (Liao, 2016; Dong and Mangiron, 2018). The only method of prevention found in literature is the use of monetization models heavily featuring online or free to play games (Liao, 2016).

Developers and Publishers

According to Cao and Downing (2008) and Ernkvist and Strom (2008), foreign developers must partner with Chinese publishers to enter the Chinese market. Because of their leveraged market position, Chinese publishers carry hefty licensing fees (Cao and Downing, 2008). While no literature exists on what these fees would be, the movie industry sees revenue splits of up to 75% for the Chinese partner (Grimm, 2015). Additionally, these fees may be affected by the growth of digital marketplaces (Broekhuizen, Lampel and Rietveld, 2013) and market position of the publisher (Gandia and Gardet, 2019).

Broekhuizen, Lampel, and Rietveld (2013) discusses the growth of broadband internet and digital marketplaces as a means for video game developers to bypass the traditional publishing gatekeepers. In response, publishers have adjusted their business models to provide a host of services that developers lack, like marketing. Through this dependency on publishers, Gandia and Gardet (2019) found that developers utilize either an integration or cooperation strategy with competitors, not publishers, to pool

resources in an effort to gain a publisher's services, but limit the demands of publishers. As publishers are in a downstream position, they can exact heavy demands on resource dependent developers, including transfer of IP, and editorial rights. As creative industries prioritize IP retention and editorial ownership, they do not prioritize profits in the same way traditional industries do (Gandia and Gardet, 2019). While digital marketplaces provide a means to circumvent publishers, publishers have been found to perform better versus artist-led distribution (Broekhuizen, Lampel, and Rietveld, 2013).

Control of Information

Ernkvist and Strom (2008) states that the Chinese government views the Internet as a means of economic growth, as well as a means to control information into the country. Fung (2016) finds that the Chinese government has stunted the industry's growth in the country by trying to control and find a balance in an industry that largely grew without government involvement. Cao and Downing (2008) found that Chinese game executives often support government actions publicly, but are privately upset and want the government to back off. Finally, Zhang (2012) explains that the approval process creates some of the biggest challenges to market entry for video game developers. Developers must navigate a dual approval system that is both vague and contradicting in nature between two competing government agencies that often lack knowledge about video games themselves. (Zhang, 2012).

Pragmatic Nationalism

Both Cao and Downing (2008) and Ernkvist and Strom (2008) state that China regularly sponsors games that are educational in purpose, going as far as to educate people to resist foreign culture while instilling their own. The effects have been noted by several authors (Cao and Downing, 2008; Liao, 2016; Dong and Mangiron, 2018) who have mention that Chinese players tend to be more nationalistic and favor locally made content, either due to a lack of knowledge of foreign culture or personal preference. Cao and Downing (2008) found that Chinese player's preferences varied

from genre to genre, preferring Western real-time strategy, first-person shooters, and sports games, but Taiwanese and Japanese role-playing games, due to cultural similarities (Cao and Downing, 2008; Liao, 2016).

However, a number of authors (Cao and Downing, 2008; Liao, 2016) discuss the success of localization strategies, especially among Japanese and Korean developers. Dong and Mangiron (2018) detailed the benefits and difficulties with localizing a game from Western nations for the Chinese market. These changes can range from translation of text and graphics to altering settings, stories, mythology, and characters due to a lack of knowledge of Western culture. It can even include changes to gameplay and monetization models to make a game more attractive to Chinese audiences.

Literature Gaps

Each of the above elements are important in understanding the Chinese market. However, certain gaps in the literature exist which seek to be addressed by this thesis. The most glaring of which, is the lack of literature discussing the institutional void of digital marketplaces operating in China. China has had a blind spot towards the black market side of the industry which can be understood to be inline with a techno-nationalist strategy (Ernkvist and Strom, 2008). However, it does not explain the unregulated existence of Steam and Epic marketplaces which foreign video game developers use to sell their products in China, bypassing the mandate that requires foreign developers to use a Chinese publisher. This provides a place to understand how developers take advantage of this institutional void and apply Gandia and Gardet's (2019) and Broekhuizen, Lampel, and Rietveld (2013) findings to the Chinese market.

Furthermore, Gandia and Gardet's (2019) paper on resource dependency of video game developers find that publishers can demand steep compensation for their services, however, these articles are not necessarily reflective of the Chinese market. Outside of marketing, no literature exists on what services publishers provide for

developers or to what degree publishers affect market success. While some authors (Gandia and Gardet's, 2019; Broekhuizen, Lampel, and Rietveld, 2013) mention some demands by publishers, no literature exists on what Chinese publishers demand, especially in a leveraged market position.

There has been writing based on China's old approval process and the censorship effects that it has had on developers (Ernkvist and Strom, 2008; Fung, 2016; Zhang, 2012), however, there has been no research to date on the new system and how it has affected video game developers. At the time of this thesis, the new process has only been in place for a year and finding cases to discuss the differences may be difficult.

Finally, piracy in China is a significant problem (Liao, 2016; Cao and Downing, 2008), but no literature focuses on the developer's views regarding the topic. Existing literature provides a number of methods for combating piracy, however, little research has been done on what methods small developers utilize to overcome this problem in China.

Managerial Gaps

Gandia and Gardet (2019) and Broekhuizen, Lampel, and Rietveld (2013) provide insight into the developer/publisher relationship. From an artist-led distribution versus publisher strategy, Broekhuizen, Lampel, and Rietveld (2013) found that self-publishers do not perform as well compared to those using publishers. However, there was little mentioned about how developers cope with their lack of marketing and how that affects their success in the Chinese market.

On the other hand, Gandia and Gardet (2019) discuss that being involved in one publisher may create further dependence, but they do not discuss how developers choose their partners nor what services these publishers provide. As resource dependency can demand heavy tolls on developers for their publication, how does a Chinese developer, who controls entry into the market, affect a game's content and

what demands are made, and how do they compare to those of Western publishers? This is also complicated by the existence of institutional voids allowing foreign developers to enter without Chinese partners. If this is possible, then how do developers use this to their advantage?

Dong and Mangiron (2018) identified a lack of research on localization in translation studies, especially for the Chinese market. The authors identified several gaps in the literature including localization strategies and their effect on commercial performance as well as how Chinese players react to various translation methods.

Piracy has been noted to be prevalent in China (Liao, 2016). Despite this, little research exists on effective anti-piracy strategies in the country outside of online and free-to-play models. As many games do not lend themselves to these monetization strategies, questions arise regarding alternative methods to mitigate piracy and how effective they have been Finally, while piracy would be assumed to concern developers, there is no research on how much of a priority is placed on addressing piracy in China.

1.3 Purpose and Research Questions

The purpose of this thesis is to analyze the effects of the Chinese institutional environment on the entry strategies video game developers choose to enter the Chinese market. In doing so, this thesis aims to seek answers to the following research questions:

RQ1. How does the Chinese institutional environment affect market entry of foreign video game developers?

RQ2. How do Chinese publishers affect market entry into China of foreign video game developers?

RQ3. How do foreign video game developers approach localizing their games for the Chinese market?

1.4 Delimitations

Government interaction with the market is widely cited as a significant barrier for many developers, however, this thesis seeks to study how developers adjust to those barriers and not necessarily seek critical response to regulations. This thesis also recognizes that addiction to video games is a significant concern in China, but the topic will not be addressed. Cao and Downing (2008) mentioned that provincial and local authorities may also play a further role in interactions between government and game developers, however, this thesis focuses only on the national level. Several authors have discussed cultural flows and the hybridization of culture. While this plays a part in the glocalization of video games, this topic is not discussed. Finally, this research focuses on small developers, and should assume that large developers may have different views, strategies, and capacities to adjust to market barriers.

2 Literature Review

This literature review focuses on several theories and concepts affecting Chinese market entry of foreign video games. Born Global literature provides context into the resource and capability deficiencies of video game studios. Institutional Theory, Piracy, Liability of Foreignness and Outsidership describes barriers hindering market entry performance. Network Theory and Localization provides information regarding paths to market entry for developers. Finally, this thesis provides an initial framework based on existing literature on how developers enter the Chinese market.

2.1 Born Globals and International New Ventures

Born Globals (BGs) are young, resource-poor firms using export as a means to internationalize and often derive much of their revenue from international markets as they see the world as their marketplace (Cavusgil and Knight, 2015). Conversely, International New Ventures (INVs), are characterized as young or new venture firms launched by older multinationals that seek to derive significant competitive advantages from the use of resources and the sale of outputs in multiple countries with a range of supply chain activities (McDougall, Shane and Oviatt, 1994, pg 49). With these definitions in mind, Oyna and Alon (2018) note that the difference between INVs and BGs implies INVs typically have a presence in a number of markets, where BGs have only activities in various markets.

How INV/BGs internationalize has been thoroughly discussed, since the traditional Uppsala and Innovation models were deemed insufficient for these rapidly internationalizing firms (McDougall, Shane, and Oviatt, 1994; Moen and Servais, 2002). Historically, internationalization was considered a natural market growth by resource-rich companies after being well-established in its native market (Cavusgil, Bilkey, and Tesar, 1979; Johanson and Vahlne, 1977). Oviatt and McDougall (1994) found four necessary conditions that enable BG/INVs: internationalization of some transactions, alternative governance structures, foreign location advantages, and unique resources. Because of the rise of technology, global infrastructure, a widening,

homogeneous, worldwide demand, increases in logistical efficiency, and rise of global middle class, BG/INVs are often found in industries associated with rapid growth, global interconnectedness, and a high knowledge intensity (Cavusgil and Knight, 2015; Fernhaber, McDougall, and Oviatt, 2007). The rapid fashion in which these firms internationalize has been typically attributed to the internet and other modern communication technologies that facilitate managerial decision making from obtaining vital intelligence and ease of intercompany connections (Knight and Cavusgil, 2004; Cavusgil and Knight, 2015), particularly in marketing (Knight, Madsen, and Servais, 2004; Knight and Cavusgil, 2004). The rapid internationalization orientation causes BG/INVs to create organizational strategies and tactics to support international performance (Knight & Cavusgil, 2004; Lumpkin and Dess, 1996).

There are some areas of debate in the field of BG/INV theory, particularly in the definition. BG/INVs have no agreed upon timeline in which a firm must internationalize, ranging from one year (Evers, 2010) to ten years (Gassmann and Keupp, 2007). There is also no agreement of a defined "inception date", in consideration to a number of related factors. (Hewerdine and Welch, 2013; Madsen, 2013). Foreign-direct investment is often used to measure the extent of internationalization of a firm (Kuivalainen, Sundqvist, and Servais, 2007), however, due to BG's characteristic lack of resources (Cavusgil and Knight, 2015), percentage of revenue from foreign markets has been used as a metric (Oviatt and McDougall 2005; Madsen 2013). However, there is no agreement on this topic either. Zhou, Wu, and Luo (2007) suggest 10%, Luostarinen and Gabrielsson (2006) suggest 50%, yet Gabrielsson et al. (2008) suggest that it is a poor measurement based on a number of contextual factors.

While the debate over the classification ranges, the popular consensus is typically three years and 25% international sales (Knight and Cavusgil, 1996). This is in line with almost all video games as online digital platforms have given developers the ability to publish globally if the inception date is to be considered time of publishing.

2.2 Institutional Theory

Institutions are political, social, and economic exchange structures which can be formal or informal (North, 1991), while others (Daft and Lengel, 1986; Scott, 1981) categorize these institutions as industrial structures, technology, government regulation, and culture. Institutional Theory studies the ingrained aspects of social culture and how they establish authority of acceptable behavior (Scott, 2004). Institutions are especially important in emerging countries as societal and governmental forces have stronger influences on markets than developed countries (Hoskisson et al., 2000). Due to their role as facilitators of market activities (Hoffman et al., 2016), government (Cuervo-Cazurra, 2006), and property rights (Fladmoe-Linquist, 1995), institutions affect how firms choose to enter a country's market (Meyer, 2001A; Oliver, 1991). Institutionalization is the product of these force's actors to accomplish their ends based on each actor's power and influence (DiMaggio, 1988) which can happen from both top-down and bottom-up (Scott, 2008).

Institutional environments are regulatory, political, economic, and socio-cultural institutions that facilitate market activity (Hoffman et al., 2016), impose uniformity in society (Meyer and Rowan, 1977), and enforce conformity through coercive, mimetic, and normative pressures (DiMaggio and Powell, 1983) congruent with national borders (Rosenzweig and Singh, 1991). Strategic responses to institutional pressures vary on conditions (Goodrick and Salancik, 1996; Scott, 2008) as market requirements often conflict with institutional conformity (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Though conformity (Oliver, 1991) and acquisition of resources to adapt to institutional pressures (Scott, 2008) are the most common responses, while avoidance, defiance, and manipulation are also used based on favorable conditions (Oliver, 1991).

Brown (2016) defines the political environment as authorities that have legal power wherever firms exist. These entities have an implicit presence in every economic transaction and can threaten any firm through taxation, regulation, and expropriation

via legal coercion (Henisz, 2000). Governmental regulations are a form of coercive power which imposes conformity, however, they are subject to interpretation, manipulation, revision, and elaboration by entities affected by them (Scott, 2008), thus, regulatory systems are considered easier to manipulate than other institutions (Evans, 2004; Roland, 2004).

Institutional voids, as a concept, were coined by Khanna and Palepu (1997), who describes these voids as a lack of adequate formal institutions that would facilitate a variety of business functions, especially prevalent in emerging countries (Peng, 2003; Khanna, Palepu, and Sinha, 2005). These voids can disrupt a company's strategies regarding innovation of products and services (Liedong, Peprah, and Eyong, 2020). Voids often focus on regulatory aspects of institutions like property rights, legal protections, and contract enforcement (Khanna and Palepu, 1997) or political hazards like discretionary enforcement of rules, unpredictable regulation changes, and government interference (Luo and Tung, 2007). Successful companies adapt to institutional voids and modify their business models, however, if adaptation is impractical or unprofitable, businesses may decide to forego entry (Khanna, Palepu, and Sinha, 2005).

Despite being more consequential, less attention has been spent on cultural and symbolic aspects compared to regulatory elements (Scott, 2008). Hofstede (2011) finds that cultures have six distinct elements that can cause misunderstandings and problems when interacting with members of another country. These differences between cultural aspects are called cultural distances, and as it grows, so does the difficulty of using subjective judgement to determine how behavior will be received (Gatignon and Anderson, 1988). Lawrence and Lorsch (1967) observed that multinational firms face challenges of differentiation and integration because they have to, not only attempt to differentiate between other products, but also cultural differences.

2.2.1 Piracy

The piracy of copyrighted video games is a major concern in the video game industry which includes discounted counterfeit products and illegal file sharing online (Hill, 2007; Rasch and Wenzel, 2011) especially in China (Hill, 2007; Cao and Downing, 2008; Liao, 2016). The rise of piracy has been attributed to the growth of broadband connections and peer to peer networks which facilitates the transference of large files (Hill, 2007). Piracy is theft of intellectual property that only benefits the end-user (Tsotsorin, 2012) with PC games being the most pirated (Moshirinia, 2012), though some authors (Holm, 2014) believe that effects of piracy is overstated and assumes that anyone who pirates the game would have purchased it.

Hill (2007) states that due to the intangible nature of file sharing, piracy negatively impacts intellectual property due to a lack of return on investment. Though, in some circumstances, sellers benefit from limited piracy by increasing the use of their product and locking out competitors.

As video games are considered "experience goods" (Hill, 2007), piracy has been argued as a form of product sampling (Gupta et al., 2004; Rasch and Wenzel, 2011). As network effects are important in many video games, especially those with an online component, piracy adds strength to those networks (Conner and Rumelt, 1991; Rasch and Wenzel, 2011).

There are several strategic responses to piracy: permissiveness, demos, price reduction, extras for legal purchase, change business models, legal action (Hill, 2007), embrace technology (Hill, 2007; Tsotsorin, 2012), and community engagement (Holm, 2014). Developers and publishers have shied away from using legal actions, instead looking for technological solutions to abate piracy after receiving bad press and little effect on piracy (Holm, 2014).

Digital Rights Management (DRM) is a prevalent technology solution in the video game industry, preventing users from altering any portion of content that the seller does not intend. However, this software has demonstrated poor effectiveness (Holm, 2014). Additionally, the software was poorly received by industry's fanbase due to limits on installations and online-dependent play despite no online mechanics. This has led developers distributing DRM-free games (Tsotsorin, 2012).

Of these strategies, business model changes have been prevalent in China with free to play models that allow players to play for free, but utilize micro-transactions to bypass frustrating game mechanics (Tsotsorin, 2012; Liao, 2016), or online multiplayer games where source codes for the game are not available to the player (Holm, 2014; Liao, 2016). Due to Steam's views that piracy is a service issue, the marketplace has received accolades for their permanent registration of games as demonstrated in Russia where it has reduced piracy (Tsotsorin, 2012; Holm, 2014).

2.3 Liability of Foreignness

Liability of Foreignness is a term associated with competitive disadvantages (Zaheer, 1995; Kline and Brown, 2019) due to costs of doing business abroad (Zaheer, 1995) or lack of foreign business knowledge (Yamin and Kurt, 2018) that local firms would not incur (Zaheer, 1995). These costs can include travel and logistics costs (Zaheer, 1995), lack of information from new markets (Zaheer, 1995; Eden and Miller, 2001; Wei and Clegg, 2014), economic nationalism (Zaheer, 1995; Eden and Miller, 2001), and local market (Zaheer, 1995) such as restrictions on hi-tech sales to protect local industry (Zaheer, 1995). Regardless, foreignness often causes lower profitability than local firms, thus being less likely to survive (Zaheer, 1995), especially for market-seeking firms (Caves, 1982). Firms often use their specific advantages such as economies of scale (Porter, 1986), location-based cost advantages (Dunning, 1977), and brand names or product differentiation to overcome these disadvantages (Zaheer, 1995). Paradoxically, in an effort to be prudent, firms may take an intensive market research approach before entering, resulting in increased foreign market performance (Yamin and Sinkovics, 2006).

Consumers in host countries view some foreign products poorly and give preference to domestic firms (Maruyama and Wu, 2015). This form of Liability of Foreignness is called discrimination, and can derive from many sources including suppliers (Lindorfer et al., 2016), politics (Henisz, 2000), and large firms (Eden and Miller, 2001; Mezias, 2002). Perceived importance of supporting domestic retailers was found to have a large effect on consumer choice (Maruyama and Wu, 2015).

Two approaches to overcoming Liability of Foreignness are exploitation of ownership advantages (Caves and Caves, 1996; Dunning, 1981) and exploring local responsiveness (Luo, 2001; Zaheer, 1995). Though these two views are conflicting, some scholars find that firms should use both aspects (Gibson and Birkinshaw, 2004). Knowledge of both local competitors and consumer preferences are critical in order to compete in foreign markets (DeLange, 2016), thus, building relationships and networks through informal interactions is critical to gaining country-specific knowledge on foreign business and institutional knowledge, more so than through laws. (Yamin and Kurt, 2018). Though firms often utilize internal processes or external contracting to overcome knowledge deficits (Kline and Brown, 2019).

There are various entry mode strategies which can be used to overcome foreignness (Eden and Miller, 2001; Chen, 2006; Chen et al., 2006); by using local executives in decision making (Mezias, 2002), adapting to local environments (Petersen and Pederson, 2002), using product variety and local business group affiliations (Elango, 2009), and acquiring employees and supplier bases (Barnard, 2010). Of particular importance to market entry, institutions can reduce information asymmetry and uncertainty by providing information about business partners and other aspects of doing business to reduce Liability of Foreignness costs (Combs et al., 2011; Meyer et al., 2009).

Some foreign companies benefit from foreignness and are viewed positively by customers in foreign nations, especially in developing countries through marketing

that promotes the quality of the product (Maruyama and Wu, 2015). This positive view from institutional environments is called legitimacy and it can be attained through governments, suppliers, consumers, and charities through following social values and belief systems (Suchman, 1995). There are three types of legitimacy: moral, pragmatic, and socio-political. Moral legitimacy is associated with culture and whether or not a customer or society can socially benefit from the purchase or service, while pragmatic legitimacy is associated with satisfying a superior product or an affordable price in a profitable manner (Suchman, 1995; Maruyama and Wu, 2015). Lastly, socio-political legitimacy focuses on achieving a positive reputation and avoiding sanctions by government authorities, through compliance with regulations (Aldrich and Fiol, 1994; Dahan, 2005).

2.3.1 Localization

Disregarding cultural contexts negatively impacts audiences' perceptions of a game and detracts from its player's experience (Mangiron and O'Hagan, 2006). While translation is the main focus of localization (Dong and Mangiron, 2018), holistically, it is the transformation of games developed in one country to better suit players with different linguistic, cultural, and technical needs (O'Hagan and Mangiron, 2013; Dong and Mangiron, 2018; Fry, 2003) by recreating the original feel. (Bernal-Merino, 2006).

Mangrion (2007) finds there are two main localization models: outsourcing and in-house. Outsourcing is more widely used by US and European developers where a company is provided a package of information with instructions and reference materials, but this method risks mistranslations due to lack of context. Conversely, in-house translations are favored by Japanese developers who have dedicated localization departments, offering better quality and context to their translations, but higher costs. Localization strategies also focus on the feel of a game, tailoring a game for a domestic or exotic feel (Dong and Mangiron, 2018). This strategy decision is potentially the most important as it influences every alteration made for the game (Mangiron and O'Hagan, 2006).

These adaptations can be categorized in two groups, "micro" refers to changes in dialogue, scripts, and text, while "macro" refers to changing characters, story, gameplay, and monetization (O'Hagan and Mangiron, 2013). Because so many variables may be required to be changed, localizers of video games take on a role that becomes transcreationist in nature (Mangiron and O'Hagan, 2006).

As language plays a critical role in story-based, role-playing games, using natural language is critical to player immersion and requires knowledge of slang and colloquial aspects of a language that fits both the target country and age (Mangiron, 2007), though some situations do not have a direct or obvious translation so "functional equivalents" are created (DiMarco, 2007). However, this creates issues for wordplay things impossible to portray to a different culture, which often causes some content to be scrapped (Costales, 2012), including pop culture (Mangiron, 2007).

How language is presented is also a factor for localizers. Text translations can vary in size of characters from various languages, thus localizers need to adapt to avoid truncation or readability issues (Mangiron, 2007). Dubbing is the term used for the translation of audio language. The script is translated to take into account spoken sentence time and then altered again during the recording process to accommodate for mouth animations (Mangiron and O' Hagan, 2006).

Localization of imagery may also be altered, especially if the imagery is be offensive or illegal in another culture (Cohendet et al., 2018; Dong and Mangiron, 2018). A swastika, associated with Nazis in the West, is regarded as a symbol of good luck in Eastern cultures, conversely characters with three fingers may seem fine in the West, but in Japan, it has links to the Yakuza (Mangiron, 2007). Censorship is a significant problem for game localization as violence, language, or sexual content must be altered or removed to fit various age rating boards (Cohendet et al., 2018). Some regulations can create problems for entire genres as war or combat games portraying historical events may be banned due to concerns over historical facts (Costales, 2012).

Dong and Mangiron's (2018) paper regarding localization for the Chinese market, explained that localization research is gaining more traction in linguistic studies, but research for China has been lacking. The authors identified nine major aspects for cultural adaptation unique to the market, including: numbering formats, food-related terminology, myths and legends, songs, colors, character design, game mechanics, game habits, and censorship. Finally, a quality localization can help improve a game's commercial success (Dong and Mangiron, 2018) but to what extent is unknown.

2.4 Resource Dependence Theory

Resource Dependence Theory states that because businesses are not self-sustaining, they are constrained and dependent on their networks, which creates uncertainty in their own processes (Pfeffer, 1987). Because INV/BGs are more reliant on other, sometimes larger firms, they are more vulnerable to their behavior, especially as relationships develop and become more fixed (Pfeffer and Salnik, 1978). This is especially true today as new technology has altered how business functions (Davis and Cobb, 2010).

Sources of dependence come from internal and external dependencies which influence strategic choices made by a firm (Gandia and Gardet, 2019; Casciaro and Piskorski, 2005). Sources of internal dependence stems from a lack of two assets; tangible (funding, technology, human capital, etc.) and intangible (knowledge, reputation, intellectual property, etc.) (Lavie, 2006; Gandia and Gardet, 2019). Alternatively, sources of external dependence stem from technology and a firm's position in the industry (Gandia and Gardet, 2019). These sources of dependence determine the level of bargaining power that firms have when negotiating with their network (Gandia and Gardet, 2019) while countries that rely on higher levels of government involvement can magnify these dependencies (Peng and Luo, 2000).

Gandia and Gardet (2019), viewed position dependence as upstream (material, technology, or platform controllers) and downstream (retailers, distributors, and publishers). Because upstream firms rely on downstream firms to present products to

customers, downstream firms have higher bargaining leverage over upstream firms. However, if firms were able to retain their IP rights and are reputable in the industry, firms are more likely to innovate upstream first and gain technical knowledge to overcome technological dependence, then focus downstream once dependence is overcome.

If a company has need for financial and management resources, firms tend to enter into cooperative partnerships for an extended duration (Katila, Rosenberger, and Eisenhardt, 2008; Gandia and Gardet, 2019). Dhanaraj and Parkhe, (2006) found that SMEs often innovate through the use of resources of several partners. These cooperation strategies stem from a shared need of external resources leading to alliance developments if companies lack the means to use an integration strategy (Gulati, 2007). Cooperation with a downstream firm provides better proximity and understanding to end users (Mohr and Spekman, 1994). However, cooperation can diminish if the firm exhausts the partner's native resources (Gandia and Gardet, 2019).

Conversely, integration strategy is utilized when a company has internal forms of dependence such as the need for new products and employees (Gandia and Gardet, 2019). While strategy allows firms to have a higher level of control over its outcomes, at lower risk, especially in innovation and assets (Teece, 1986), it creates conflict within the leadership, management, and culture of a firm (Busija, O'Neill, and Zeithaml, 1997). This is one element in a complicated web that also includes the context of sales strength and risk of dependence increases (Burt and Sparks, 2003; Miles, Preece, and Baetz 1999). Additionally, if a firm retains special resources that are difficult to transfer, they are more competitive and maintain higher leverage (Hesterly, 2012).

2.5   Liability of Outsidership

Johanson and Vahlne (2009) defined Liability of Outsidership as liabilities that derive from a lack of business knowledge and network positions within a given market. Outsidership can make it near impossible to do business in another country. While

opportunity is usually created by a partner needing goods or services, firms can influence these opportunities by becoming knowledgeable and committed to it. Identifying opportunities is a combination of luck, effort, and alertness (Kirzner, 1997; Denrell et al., 2003), and add to existing knowledge on opportunity identification (Johanson and Vahlne, 2009).

Western SMEs have significant issues with finding suitable partners and building trust-based relationships in emerging markets (Bangara et al., 2012; Yang and Wang, 2011). This can become a problem for SMEs entering psychically distant markets and are unable to rely on existing networks (Bell et al. 2003; Ojala 2008, 2009; Ojala and Tyrväinen 2007), and where outsidership is exacerbated (Fiedler, Faith, and Whittaker, 2017). In emerging Asian markets, legal and regulatory systems are less reliable (Welter and Alex, 2012), thus firms rely heavily on establishing trusting relationships (Chen and Chen, 2004), though as Fiedler, Faith, and Whittaker (2017) mention, outsidership may still persist despite strong relationships.

2.6 Network Theory

Businesses are often interconnected economic entities which require suppliers, transport, customers, and a variety of other functions requiring social interactions creating an economic phenomena which Network Theory seeks to understand (Granovetter, 1985). Those networks and existing knowledge often lead to INV/BG entry mode decisions (Sharma and Blomstermo, 2003; Johanson and Vahlne, 2009) and make it possible to identify opportunities (Johanson and Vahlne, 2009). Network Theory of internationalization can be traced back to the 1960s, drawing on social exchange (Homans, 1958; Blau, 1968) and resource dependency (Pfeffer and Salancik, 1978).

Networks form and grow from actively engaging in a continuous exchange of resources (Hallen et al., 1991) which facilitates development and provides INV/BGs with market access, distribution channels, contacts, financing, learning resources, overcoming barriers (Coviello, 2006; Freeman, Edwards, and Schroder, 2006), as well

as outsidership (Schweizer, 2013) and risk mitigation (Chetty and Patterson, 2002). Strong networks can help INV/BGs identify, recognize, and react to internal and external factors, and exploit opportunities (Crick and Spence, 2005), while positively influencing supply chains, networks, and decision making, particularly in small firms (Paul and Rosado-Serrano, 2018). When firms are able to exploit their networks with suppliers, distributors, and partners, they can gain competitive advantages and overcome more obstacles and develop knowledge-intensive products (Freeman, Edwards, Schroder, 2006; Mort and Weerawardena, 2006).

As INV/BGs often lack resources to invest (Sharma and Blomsterno, 2003) many operate through social capital generation using moral obligation of their social networks (Sasi and Arenius, 2008), and/or business relationships in order to gain access to resources and international opportunities and reduce liabilities of newness and foreignness (Coviello, 2006; Sharma and Blomstermo, 2003) that facilitates innovation and product creation (Yli-Renko, Autio, and Tontti, 2002). This often leads to firms collaborating and competing through personal and business reputation (Saxenian, 1994; Chetty and Patterson, 2002), creating social resource capital and allowing smaller firms to access resources without depending on larger entities (Arenius, 2002), though INV/BGs often use MNC controlled networks (Gabrielsson and Kirpalani, 2004).

Many authors (Morgan and Hunt, 1994; Arenius, 2005; Madhok, 2006) discuss the vitalness of trust in building relationships. These relationships take reciprocal commitments between companies (Johanson and Vahlne, 1990) and often take years to be effective and still fail (Johanson and Vahlne, 2009; Hohenthal, 2001). Morgan and Hunt (1994), discusses that productivity, efficiency, and effectiveness are promoted when both commitment and trust are given. However, this needs to be done in a free and open relationship, as Gounaris (2005) found companies that try to calculate their commitment to avoid dependence negatively affect the relationships. Conversely, due to lack of market knowledge, foreign firms may over-rely on their market partners and

lose effectiveness. These issues of increased knowledge and over-reliance (Li et al., 2008) may cause a firm, or its partner, to decrease or end commitment to the relationship (Johanson and Vahlne, 2009). However, if trust is established, even one time exchanges provide valuable knowledge building opportunities (Geneste and Galvin, 2015; Fiedler, Faith, and Whittaker, 2017).

Finally, in China, the art of guanxi is vitally important in relationship building with local firms and government officials, which can be beneficial for developing business in the country (Yeung and Tung, 1996), thus some Western firms rely on gatekeepers and insiders to establish local networks and applicable connections (Gao et al., 2014). By doing so, guanxi can build trust on an interpersonal level (Lee and Dawes, 2005), while creating vast connections and partnerships on a network level (Zhang and Zhang, 2006). These interpersonal communications help businesses understand each other's capabilities, needs, contributions while developing opportunities and creating knowledge specific to their unique relationships (Fletcher and Harris, 2012).

However, trust must be sufficiently established to avoid opportunistic behavior (Hamel, Doz, and Prahalad, 1989), while improving cooperation, establishing mutual dependence, fostering commitment through shared visions can help build this trust (Li and Suntrayuth, 2019).

2.7   Initial Conceptual Framework

The purpose of this thesis is to analyze the effects of the Chinese institutional environment on the entry strategies video game developers choose to enter the Chinese market. A conceptual framework is created by synthesizing existing literature to inform readers of how foreign video game developers enter the market and answer the questions asked by this thesis.

Figure 1: Initial Conceptual Model
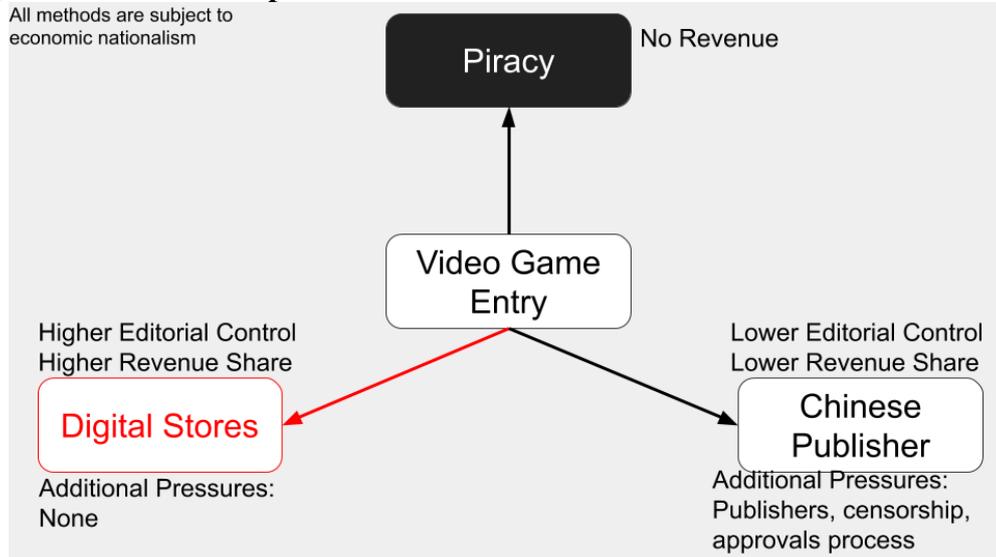
Source: Own, based on literature review and current media.

In the absence of literature on digital marketplaces in the industry, the framework utilizes information from current events to use in places of this literature gap. The model will enable operationalization and analysis of current literature for the purpose of answering this study's research questions.

Gandia and Gardet (2019) and Cohendet et al. (2018) wrote of many video game developers as innovative SMEs. Gandia and Gardet (2019) explained that developers often focus on product development, where Cohendet et al., (2018) noticed that many of these developers are in the underground, characterizing them as deviant artists and hobbyists creating radically new games in their free time. Due to the growth in digital distribution, developers are able to publish their games globally in the click of a mouse (Broekhuizen, Lampel, and Rietveld, 2013). However, in Gandia and Gardet's (2019) study, many small developers often lack resources and are dependent on publishers for various services in relation to the publishing of their game. For this purpose, many video game developers can be considered BGs and INVs.

Entry Method

Based on available literature, there are three methods of entry. As is consistent with Hoskinsson et al. (2000), Chinese institutions play a significant role in market entry for developers. The first is via legitimate means in which developers enter the Chinese market by partnering with a Chinese publisher and begin the government approvals process (Cao and Downing, 2008; Ernkvist and Strom, 2008). In addition to these controls, a foreign developer's game is subject to a 130% import tax (Liao, 2016). This is a form of Liability of Foreignness as discussed by Zaheer (1995) as costs that would not otherwise be incurred by local companies. Developers must also seek approval through China's censorship board, SAPP, which blends cultural protectionism into a political institution, thus developers must achieve a level of socio-political legitimacy (Aldrich and Fiol, 1994), and cultural legitimacy (Suchman, 1995). A game developer may be required to alter their game further from its original version than it would otherwise intend, in order to be approved by the SAPP.

Literature on Chinese publishers is scarce, though, according to Gandia and Gardet's (2019) research, market position plays a significant role in the leverage that publishers have on developers. Considering the leveraged position of mandated Chinese partners to enter the market, it would not be out of line to think that publishers can take a heavy revenue share, editorial control, or IP rights as stated in Gandia and Gardet (2016). In Grimm's (2016) paper on the movie industry, Chinese publishers receive up to 75% of revenue in China and hold some editorial control over movie content. These decisions are vital to the success of a developer, thus finding a trusted partner is important and something that Western SMEs have problems with (Bengara et al., 2012; Yang and Wang, 2011). This leads to a Liability of Outsidership for developers and makes it difficult for them to do business in another country without them (Johanson and Vahlne, 2009). By committing to, and building a relationship with, a Chinese publisher, a developer will be able to take advantage of opportunities and be more aware of problems (Johanson and Vahlne, 2009).

The second path is only briefly discussed in video game literature, yet digital distribution is now one of the most prevalent means of purchasing video games. As stated previously, digital marketplaces like Steam and Epic Games have been allowed to operate unimpeded from their original version. This provides developers who are already published on the market the means to enter China through institutional voids (Khanna, Palepu, and Sinha, 2005). However, as regulations can be changed quickly and with no warning to the developer, it carries risk (Luo and Tung, 2007).

Localization

Market entry paths rely on consumers perceiving pragmatic legitimacy of a game (Suchman, 1995; Maruyama and Wu, 2015). Aside from the significant language barrier, China represents a psychically-distant market (Hofstede, 2011), localization plays a key role in adapting a video game to, not only player's tastes and preferences (O'Hagan and Mangiron, 2013; Fry, 2003), but also government regulations (Cohendet, et al., 2018; Dong and Mangiron, 2018). This can be considered a form of product adaptation that video games use for foreign markets (Petersen and Pederson, 2002). Entering the market through a publisher likely provides help with marketing and localization of a game which provides that pragmatic legitimacy for a foreign developer. Regardless of a developer's use of a publisher, translations and other changes will likely need to be made in order to make the game more appealing to its Chinese audience (Dong and Mangiron, 2018).

Piracy

Piracy is an unwanted occurrence for developers who derive no revenue from this institutional void. Due to China's rampant piracy in the video game industry (Cao and Downing, 2008; Liao, 2016; Ernkvist and Strom, 2008) and likely supported through a techno-nationalist philosophy (Ernkvist and Strom, 2008; Liao, 2016). This thesis contends that piracy is a form of forced market entry in which a developer sees no economic benefit. In this method, customers purchase from sellers at a significantly lower price or downloaded for free online (Liao, 2016). The game is in its original, non-SAPP approved version where teams of volunteers work together to alter the

language for the Chinese audience (Liao, 2016; Dong and Mangiron, 2018). Literature states that there are several methods to mitigate piracy (Hill, 2007; Holm, 2014; Tsotsorin, 2012), however, existing literature regarding the Chinese market only focuses on monetization and the use of online-only games.

3 Methodology

This chapter provides the methodology used for the purpose of validation and replication of this study. It also provides a defense for methodological choices made by the author. This study was conducted in accordance with ethical consideations.

3.1 Research Approach and Perspective

Ontology is, *"the science of study of being"* (Blaikie, 2009), or *"the nature of knowledge"* (Merriam and Tisdell, 2015). There are two kinds of ontological paths, natural science-based objectivism (argues the social reality independent of how we think of them) or arts and humanities-based subjectivism (argues social reality is made from perceptions and consequent actions) (Saunders et al., 2016). This study focuses on the experiences, thoughts, and perceptions of video game developers as they enter the Chinese market. The study will focus on how the developers perceived and interpreted unique institutional environment challenges. Thus, a subjective ontology will be utilized as it focuses on the perceptions and consequential actions of those involved (Saunders et al., 2016).

There are generally two perspectives on epistemology: positivist and interpretivist. Positivism focuses on the natural science perspectives, using largely deductive, quantifiable data (Bell, Bryman, and Harley 2019; Saunders et al., 2016). In contrast, interpretivism focuses on inductive, qualitative research (Bell, Bryman, and Harley 2019; Saunders et al., 2016). This study uses subjective ontology and because meaning cannot be measured or counted, it requires an interpretivist epistemology (Sayer, 2000) which is more interested in developing richly detailed, nuanced descriptions of their case study research (Ridder et al. 2014).

Saunders et al. (2016) states there are three research approaches available to academic writers: inductive, deductive, and abductive. Deductive approaches look to explain causal relationships in order to test theory (Merriam and Tisdell, 2015), while inductive begins with reality or study and allows theory to appear (Strauss and Corbin,

1998). With this in mind, deductive research would be inappropriate as it measures relationships and is often criticized as being too rigid (Saunders et al., 2016). The final approach, abductive, uses both empirical data of inductive research and the existing theory of deductive research (Alvesson and Skoldberg, 2009). With this said, this thesis does not anticipate what its findings will be as little research has been done on the topic.

Saunders et al., (2016) mentions that a common criticism of inductive research is that it does not adequately test theory, however, this thesis' goal is not to test theory, but to provide data and present evidence for theory to be tested. Ridder et al. (2014) describes how some interpretive researchers work inductively, analyzing data, identifying themes and patterns, and finding existing literature in order to redefine, extend, and generate theory. Since this study uses current events in the industry as a starting point, an inductive approach is most appropriate.

3.2   Research Method and Design

Academic research can be conducted in three ways: qualitative, quantitative, and mixed-method (Saunders et al., 2016). Quantitative research uses large volumes of data to quantify and numerically establish relationships between variables (Alvesson and Skoldberg, 2009; Bell, Bryman, and Harley 2019). Qualitative studies use fewer, more detailed sources which creates immense amounts of detailed data that provides descriptions and contexts into the phenomenon being studied (Merriam and Tisdell, 2015). Because this thesis uses inductive research, a small sample size due to a lack of available companies, and attempts to build theory, qualitative research provides for methodological variance and rigor and is the most appropriate to fulfill this study's purpose (Saunder et al, 2016): to analyze the effects of the Chinese institutional environment on the entry strategies video game developers choose to enter the Chinese market. This thesis asks three questions:

RQ1. How does the Chinese institutional environment affect market entry of foreign video game developers?

RQ2 How do Chinese publishers affect market entry into China of foreign video game developers?

RQ3. How do foreign video game developers approach localizing their games for the Chinese market?

There are several ways of conducting qualitative research (Yin, 2016). As this thesis is exploratory in nature, asking "how" and "why" phenomenon is happening, this thesis uses a multiple case study to describe how foreign video game developers adjust to the unique market challenges in China. Case studies are an extensive investigation of a delimited topic (Merriam and Tisdell, 2015; Creswell, 2013) that provide for better understanding of complex conditions, especially in business studies (Yin, 2018) and are often used interchangeably with qualitative research (Merriam and Tisdell, 2015). The use of multiple case studies involves gathering and interpreting data from several cases as subunits of a whole (Merriam and Tisdell, 2015). This method of qualitative research provides for better validation than single-case studies (Eisenhardt, 1989; Davis and Eisenhardt, 2011).

This study method is also used by Gandia and Gardet (2019) in their study of dependence and strategies to innovate in video game SMEs. As this thesis has discussed a lack of research into its topic, Gabrielsson, et al., (2014), used the same method due to lack of previous research into international entrepreneurial culture, as a reason to use holistic, multiple case studies to get a detailed study on a narrowly defined research topic. Like Gandia and Gardet (2019), the study also referenced the ability for logical replication and expected validity.

The focus on this multiple case study is the developer as the unit of measure (Merriam and Tisdell (2015). As the experiences of the individual interviewers are not the end goal, the corresponding interview and secondary sources will be used to create a collective case for each developer. These results are then compared to other cases to understand how they compare and contrast from each other in the experiences of adapting to the Chinese market as suggested by Creswell (2013). The results of this study should provide interesting and nuanced information on how video game developers internationalize into China. Data that can be extracted from the case studies, in the spirit of inductive research, will then be contrasted against existing literature to understand how it compares to current knowledge and find out what new knowledge has appeared.

3.3   Research Process

This study aims to gather various views, opinions, and experiences from various publishers in both size and location. However, circumstances due to the coronavirus pandemic and a limited time frame to conduct, this study utilizes both purposeful and convenience sampling, which selects companies that are appropriate for needed data (Merriam, 2009).

3.3.1   Sampling

The first selection criteria for this study is that a developer cannot be owned by another company. Second, a developer must have sales from China, regardless of strategy. Third, only developers for PC games are considered. To get a mix of location, this study desires to use at least 2 developers from North America, Europe, and Asia Pacific (excluding China). Finally, independent "indie" developers vary in studio size, resources, and capabilities with various attributes. While maximum variation sampling would be the most ideal for this topic to ensure a broad and diverse provision of results (Cresswell, 2013), due to restriction relating to the pandemic and this thesis' time allowance, this thesis' purposive sampling is used as a best case scenario to accomplish that task to increase findings (Guba and Lincoln, 1989).

This study uses internet searches of video game developers in various countries from selected regions. Additionally, the digital marketplace, Steam, was utilized to search for developers who have translated their game into Simplified or Traditional Chinese, or both. Over two hundred developers are contacted for this study via email or Twitter, receiving fewer than thirty responses, many of which were too busy or unable to coordinate interviews due to COVID-19.

This thesis achieved its goal of having a wide variation of developers of different backgrounds and resources. Due to the small size of indie studios and COVID-19, one interview with each studio was conducted. This is, admittedly, not ideal as it does not allow for intracase evaluation (Hartley, 1994). However, interviews came from CEOs and owners of their studios, while the largest developer's contact is the marketing manager and responsible for the company's relationship with publishers in China. Finally, this thesis would like to disclose that it had initially conducted 6 case studies, however, an interview lacked a sufficient quality to include in this study.

Deck 13 - a German developer and publisher of PC and console games was founded in 2001 in Frankfurt, Germany. They currently operate with seventy employees, of which, five members make up their marketing team. They currently publish their, and other developer's, games on a number of consoles and digital platforms. Chinese sales of their games range between 5%-15% per game, but one game ranges between 25%-30%. The interview was conducted with Michael Hoss, the developer's Marketing and PR Manager via Discord on 27 March 2020 and lasted for 34 minutes.

Might and Delight - a Swedish studio based in Stockholm, Sweden was founded in 2010. The developer self-publishes all of their games. They primarily focus on PC titles, but have been able to publish two of their titles on the Nintendo Switch console in 2018. The studio employs twenty people, of which, Joel, the Studio Manager of Might and Delight, is the only non-development employee. The interview with Joel Danielsson was via Zoom on 1 April 2020 and lasted for 31 minutes.

Running with Scissors - an American developer based in Tucson, Arizona, was started in 1996. The studio now has over twenty employees with few administrative positions. China currently makes up roughly 8% of their sales, however, this is due to only recently localizing for the Chinese market. The studio uses a couple of digital marketplaces to sell their games, of which Postal, their flagship title, is soon to release its fourth installment. The interview was conducted via Google Meet with the Studio CEO Vince Desi, and its VP Mike Jaret on 9 April 2020 and lasted for 43 minutes.

Developer UK - Developer UK is a solo developer from the UK who has self-published all ten of their games. Developer UK now uses Steam to publish their games with hopes to expand to others soon. China currently makes up 24% of sales volume from their games. Interview was conducted from 7 April 2020 - 13 April 2020 via email. The developer "Jimmy" is a pseudonym as well as "Developer UK" as the developer wished to remain anonymous for this study.

Dangen Entertainment - A Japanese publisher based out of Kyoto, Japan was founded in 2016 and currently has six employees. Chinese sales make up roughly 10%-15% of Dangen's total sales, but individual games can range from 5% to 30%. The interview with Dan Stern, the CEO of Dangen, was conducted via Discord on 21 April 2020 and lasted for 54 minutes.

Table 1: Developer Details

Developers	Home Country	Employees	China Publish?	Position at Company
Deck 13	Germany	~70	One	PR & Marketing Manager
Might and Delight	Sweden	12-15	Self	Studio Manager
Running with Scissors	United States	~20	Self	CEO and VP
Developer UK	United Kingdom	1	Self	Owner/Developer
Dangen Entertainment	Japan	6	Multiple	CEO

Source: Own (based on developer data from interviews and Steam pages)

3.3.2 Data Collection

Merriam and Tisdell (2015) describes several appropriate data collection methods including interviews, observations, and documentation. This thesis utilizes a case study, as such, it will utilize multiple data collection means with interviews as the primary data collection method. Additionally, data will also be collected from the developer's websites and Steam pages to validate and corroborate information on the developers. To build the interview guide for this study, operationalization of this study's literature will be utilized to answer this paper's research questions and fulfill its purpose.

3.3.2.1 Primary Interviews

This study seeks to gain insights from interviewees. King (1994) recommends having a low level of structure to interviews. Thus, this study uses semi-structured interviews with those knowledgeable in the studios internationalization activities as the primary empirical data collection method. Semi-structured interviews provide a list of questions, both open and closed-ended (Saunders et al., 2016; King, 1994), allowing for greater flexibility to discuss various topics and adapt questions to the flow of the interview in a natural way, especially when unanticipated answers are given (Saunders et al., 2016; Bell, Bryman, and Harley, 2019). Additionally, this technique is able to cover a wider range of topics, meaning that interviewees may bring up new concepts or ideas that were not previously considered, but adds value to research (Saunders et al., 2016). In an effort to keep some organization in the interview, the interview guide (see Appendix A) is arranged by themes as suggested by Kvale (2007). Similar empirical studies (Gandia and Gardet, 2019) related to dependency of video game developers on publishers applied semi-structured interviews for data collection. Interview questions are asked based on the conceptual framework of this thesis and operationalized (Table 2).

As this thesis wanted to be as accommodating as possible, the interviews were conducted through several mediums which includes Discord, Zoom, Google Meet, and email through the month of April. In accordance with research by Meyer (2001), verbal

interviews are recorded with consent by interviewees and had a duration between twenty five minutes and one hour. In the case of email correspondence, satisfactory responses were reached after five emails from the developer.

Jacob and Furgerson (2012) suggests that interview protocols involve the inclusion of questions and a set of rules and scripts that guide an interviewer through the process. This study follows a similar set of guidelines. Each interview starts with small talk with the interviewee to build rapport (Meyer, 2001). After this point, the interviewee is informed that the interview is being recorded. The semi-structured interview guide (see Appendix A) is followed, but as answers can vary to a large degree, the guide becomes a checklist for the interviewer. All questions on the guide are asked during the interview as long as they are still relevant. Interviews start with general company information and the extent of its involvement in the Chinese market and ends with an opportunity for interviewees to express any opinions or experiences that they might have thought were relevant but not asked for during the interview. Interview questions avoid academic language, instead expressing those topics in relevant business acumen and conducted in English.

3.3.2.2 Secondary Data

Secondary data is information gained from sources that are not from primary sources like books, websites, and newspapers (Daas and Arends-Toth, 2009). For this study, company websites, screenshots of games in Chinese language, and the developer's Steam page were used as secondary sources to gain information about the developers, as well as compare and verify information collected to the interviewer's experiences. In Deck 13's case, their Chinese publisher's English language page was also used.

3.3.2.3 Operationalization

As part of the data collection process, this study provides an operationalization of its research. Previously, this study conducted a literature review of relevant research into this thesis' topic and will aid in the operationalization of this paper's study as suggested by Gummesson (1988). Operationalization creates measures of concepts

this thesis is interested in, facilitates data collection, and ensures research quality by linking developed concepts, theories, and findings (Bell, Bryman, and Harley, 2019), but does not strictly limit questions asked in interviews. As this research seeks to explore how developers enter and adapt to the Chinese market, this thesis covers a range of topics that may affect how developers cope with their situations.

Table 2: Operationalization Table

Theoretical Construct	Sub-concepts	Interview Questions	RQ
BG/INVs	Foreign Developers	1, 1a, 2, 3, 3a	3
Institutional Theory	Censorship	7, 7a, 7b	1
	Piracy	3c, 15, 15a	1
	Approval Process	3b, 8, 6, 9a, 13b	2
Liability of Foreignness	Chinese Culture	5, 14, 14a, 14b	1
	Localization	9, 9b, 11, 11a, 12, 12a	3
Liability of Outsidership	Chinese Publishers	4a, 4b, 8	2
Resource Dependency			
	Digital Marketplaces	13, 13a	3
Network Theory	Overcoming Dependency	4, 10	2

Source: Own (based on literature)

The developers in this thesis are small, indie developers who have limited resources, but reach a global customer base instantly. Several questions will be asked about their company, international sales, and capabilities that the developers hold. As institutions play a large role in emerging markets, especially in China, Topics discussing Institutional Theory include Chinese censorship, piracy, and the approval process that video games must pass through to be approved into the Chinese market. Liability of Foreignness develops from Chinese customer's preferences for familiar concepts and languages which could hinder a foreign developer's success within the country. Thus, questions are asked regarding Chinese preferences for video games and localization strategies adopted to meet these preferences and institutional demands. Because developers from outside China can struggle with entering the market due to a lack of business knowledge or partners, questions are asked on how Chinese publishers affect

developer entry strategies for the market. As video game developers are often resource dependent, this paper asks questions based on their dependence of Chinese publishers in order to market and localize their games. Additionally, because many developers may try to enter the market through a digital platform, the paper will ask questions about a developer's use of these institutional voids and how they plan to adapt if these methods are removed from their entry strategy. Finally, networks are often utilized to overcome deficiencies that a studio may have, whether that be for resources, opportunities, or knowledge. As such, this thesis will ask how a developer utilizes their networks in an effort to be more successful in the Chinese market.

3.4 Data Analysis

As case studies create large amounts of unorganized data, analysis can require extensive data management (Merriam and Tisdell, 2015). Interviews from each studio were transcribed from their audio recordings as close to verbatim as possible to retain data integrity. This generates a significant amount of unorganized data as is typical in qualitative interviews (Bell et al., 2019). Merriam and Tisdell (2015), found that data is often derived from findings in the form of themes, categories, typologies, and concepts. This leads into data analysis which, as Saunders et al., (2016) points out, there are several ways to analyze data. This thesis utilizes thematic analysis (Saunders et al., 2016; Bell et al., 2019) to code data from each studio based on common threads derived from this thesis' results (Meyer, 2001; Creswell, 2013). The table in Appendix B of this thesis demonstrates that themes were found and then refined down a second time to be more inclusive, without being so narrow as to restrict knowledge.

Each theme was referenced to a relevant theory as suggested by Eisenhardt, (1989), though these are not exclusive of others that may apply, but provides the writer an easier reference to relate findings back to relevant theory. Additionally, as topics can cover multiple themes, the author uses their best judgement to categorize findings based on context and narrative sense. As mentioned in describing case studies, data is analyzed across each case's themes to find how each case compares to others (Cresswell, 2013). Finally, results will be reflected against existing literature to find

similarities and differences as well as answer the questions asked by this thesis. This allows researchers to create general explanations that fits all individual cases (Yin, 2014).

3.5 Research Quality

All research aims to create knowledge that is both valid and reliable (Merriam and Tisdell, 2015). Research is evaluated through two criteria to obtain credibility: reliability and validity. (Bryman & Bell, 2011). Reliability refers to the ability to reproduce similar results if the same methodology was utilized in another study, while validity refers to ability to return accurate results based on what has been measured. Both are necessary to obtain credibility as one does not beget another (Maxwell, 2012).

3.5.1 Reliability

Reliability refers to how well the findings can be replicated, however, this is difficult in social settings as human behavior is individualistic and evolving, making replication, in the truest sense, difficult (Merriam and Tisdell, 2015). As Dey (1993, p.251) writes, *"The best we can do is explain how we arrived at our results."* Reliability, in qualitative research, often depends on multiple researchers to agree on perceptions of data and their interpretations of what they see and hear (Bryman and Bell, 2015). A common criticism for this, however, is that researchers often work alone, as is the case in this study, and are often more focused on what the findings are rather than how they were reached (Miles and Huberman, 1994). This thesis keeps significant communication with the researcher's supervisor, and seeks input from several others, including the dean of the economics department, the thesis' examiner, and peer reviews in order to ensure that the writing of this thesis is sound and follows a logical path of reasoning. Additionally, this thesis provides all materials utilized throughout the writing of this thesis, as far as they are available in order to provide an audit trail for cross-checking (Merriam and Tisdell, 2015)

3.5.2 Validity

Validity is relative and cannot be proven or taken for granted, as such it must be assessed in context with the purpose of research (Maxwell, 2012). Validity, as

mentioned, is the ability to return accurate results based on what the researcher intends to measure. Bryman and Bell (2015) separates validity into two categories: internal and external. Internal validity measures the congruence between observations and ideas developed, while external validity measures the ability to generalize findings to other larger social contexts (LeCompte and Goetz, 1982).

3.5.2.1   Internal Validity
Internal validity questions how research findings match reality (Merriam and Tisdell, 2015). While a philosophical argument can be made about *"what is reality?"* Lincoln and Guba (1985) provided grounding as based on the data presented, *"are the findings credible?"* Thus, in order to ensure validity, creating an accurate description of what has happened allows for researchers to create trust and confirmation of the social reality described (Bryman and Bell, 2015; Miles and Huberman, 1994). In order to ensure that an accurate description has been provided for readers, audio recordings of the interviews are kept and used for creating transcriptions of the interviews for accuracy. Additionally, respondent validation is utilized for this thesis' findings. Respondent validation is a popular technique used in qualitative research where researchers communicate their results to the subject to verify the accuracy of their findings (Bryman and Bell, 2015). After the results are completed, each company is sent a copy of their particular results and asked to verify their validity.

Triangulation is another method of establishing validity of research by using more than one type of data source (Denzin, 1970). The method is often associated with quantitative research, however, it is commonly used to verify results against multiple sources in qualitative research (Deacon et al., 1998). Triangulation has also been utilized in order to confirm and verify the validity of comments made with the use of secondary data gained from company information from websites and digital marketplaces, as well as screenshots from the games themselves.

3.5.2.2 *External Validity*

External validity describes a study's ability to establish its findings to a broader social context (Meyer, 2001; Merriam and Tisdell, 2015). This is often a problem in case studies due to their limited selection of cases (LaCompte and Goetz, 1982) and qualitative research in general (Merriam and Tisdell, 2015). In an effort to provide the ability to generalize findings, extensive information is provided to allow readers to consider the transferability of the findings through settings and situations (Guba and Lincoln, 1989). As discussed in this thesis' sampling discussion, the widest array of developers were sampled within this thesis' defined delimitations. Additionally, Lincoln and Guba, 1985) suggested that the best way to ensure generalizability is by creating thick descriptions so that readers can understand a greater range of applicability. This thesis uses information on sampled cases and findings presented in this thesis, website information, screenshots, transcripts, interview guides, audio recordings, and correspondences to ensure transparency in the research process (where ethically acceptable). Finally, coding of data (see Appendix B) is not so strictly applied that it narrows transferability and provides for generalization of the results.

3.6   Research Ethics

The ethical concerns are mainly related to the collection, manipulation, and publication of the primary data in this study. This type of data is sensitive by nature as it involves organization and individual perceptions. It is important to obtain interviewee informed consent and ensure confidentiality practices. This research will follow Saunders et al. (2016) ethical principles to identify potential issues which could hamper the legitimacy and reliable results. Therefore, transparency regarding the purpose and aim of the study will be communicated as clearly as possible to the individuals prior to the interviews. All participants are informed both written and orally that the interviews are recorded, and provided consent forms that stated the purpose of the paper and the details regarding how long data would be retained. Additionally, all respondents were provided the ability to review their specific results to ensure that results are not misrepresented or falsified. This study and its data abides by General Data Protection Regulation guidelines created by the European Data Protection Board. Additionally,

developers that do not want to be identified, are given a pseudonym for personal name, company, and game both in paper, and in transcript. Identity of the developer is only known by the developer and the writer of this thesis and will only be identified to the thesis supervisor, and only if required.

4 Results

This section provides the reader with a detailed account of the thesis' findings deriving from its semi-structured interview and secondary data. Results have been structured based on the common themes found through interviews within the study.

4.1 Deck 13

Deck 13 is a developer and publisher of PC and console games founded in 2001 in Frankfurt, Germany. They currently operate with seventy employees, of which, five members make up their marketing team (Deck 13, 2020). As a developer with publishing capabilities, they also publish other developer's games. Their first game, Stealth Combat, was published in 2002 with their third game, Ankh, published to Steam in 2005. Today, Deck 13 has developed twenty games of their own and published fourteen others which can be found on digital online marketplaces such as Steam and Good Old Games. The US and Europe are Deck 13's main markets, but as China grows, they are looking to the market to increase sales. *"There is a huge audience using Steam, although Steam is only accessible via VPN there"* (Deck 13, 2020). Deck 13's sales in China come from Steam and vary based on the game. "*We have one game where it is close to 25% or 30%, but most times it is between 5%-15%"* (Deck 13, 2020).

4.1.1 Market Entry

Deck 13 publishes their game on Steam, but utilizes a Chinese publisher for marketing and localization of their game, in China, without going through the approval process. *"We don't have a game yet on Steam China for reasons because for that you need to go through state certification and this can take a few months...don't know how many months this will take from here to be honest because that process just takes ages."* (Deck 13, 2020).

Michel attributes Deck 13's success in China to their partner in the country. *"Of course there are others who might tell you, if you have a Chinese translation sales will go up*

in these countries, and it's true, sales will rise, but if you have a partner, trust me, they're going to explode anyways" (Deck 13, 2020).

Finding a partner required a significant amount of due diligence, as scam companies can cause significant pains for a studio. "*We worked very carefully in the very beginning and tried to find the right decision because we didn't know...and for some companies, I actually found out they are just scam companies, they ripped off a few people*" (Deck 13. 2020). This was exemplified by how Deck 13 conducted their background checks, as use of their contacts in the industry was vital in vetting trusted partners in the Chinese market. *"I actually knew one team that worked with [Chinese publisher] and I knew [the team's] CEO and just gave him a call and asked him if [Chinese publisher] is trustworthy or not. He assured me that they were a really, really good partner."* (Deck 13, 2020). Deck 13 stressed the importance of reputation in the industry. *"It is all about the reputation in the end"* (Deck 13, 2020).

However, even with this knowledge, Deck 13 started with a smaller project to build trust, which has since turned into a mutually-beneficial relationship. "*We did a...smaller project, just to see how they work and it was quite good. It worked out quite well and then we gave them a bit major project...Now I don't know how many copies we sold in China*" (Deck 13, 2020). Michael has developed a deep trust for their partner, often leaving localization decisions to their partner's discretion. *"There are games where we know they won't sell well in China, but if our China publishing partner still wants to add them to their portfolio, that's fine"* (Deck 13, 2020). He was also complimentative of their work:

> *"They work faster actually, I have never seen someone translating over 200,000 words so fast and such a high quality. Whenever I go to game shows, to be honest I don't really don't need to meet with them anymore, because we know each other, talking by Skype every now and then. We are still in constant exchange anyways, but I'm still always happy to meet them. Whenever I have a meeting with them on some game show,*

it is the meeting I mark red in my schedule because it's the one I'm looking most forward to, not because we are close in any new deals, just because we see each other and have a friendly chat. They are not only the most polite people in the whole show, but because they bring awesome presents in the form of tea. Seriously, they are way more friendly and way more supportive than most western publishers that I have worked with in the past." (Deck 13, 2020).

Deck 13's business relationship with their publisher is essentially risk-free from their end. Their partner incurs the costs associated with translating and marketing the game in China and receive a share of the sales in the country. *"They translate a certain game and take care of marketing and media in China and for that, they get a share of the Steam revenue from their territories"* (Deck 13, 2020). This helps Deck 13 overcome their liability of Outsidership and Foreignness to ensure the publisher is able to navigate both business dealings and lack of market knowledge. *"I still don't know a lot about the Chinese market...their media structure is completely different."* (Deck 13, 2020).

Michael provided insight into their revenue share deal with their publisher, which is typically, 25%-30%. However this rate is not typical and comes from forming and developing their relationship over the years. "*Our company was among the first ones with the partner we have. After that was such a success we recommended them to others as well. They could higher the prices, but they keep the old prices for friends recommended to them"* (Deck 13, 2020). Michael elaborated that publishers could ask for up to 50% of the revenue from sales in the country.

Deck 13 is aware of the expected restrictions on Steam, however they do not expect these restrictions to happen any time soon. Regardless, Michael expresses that they have little power to do anything about it in their current situation. "*I don't see this happening all too soon, by that time, hopefully, we are through certification for Steam*

China." (Deck 13, 2020). While hoping that they can be certified soon, that certification is a lengthy process, which has been exacerbated by the recent COVID-19 pandemic as Steam China is located in Wuhan. *"I don't know how many months this will take from here, to be honest, because that process just takes ages"* (Deck 13, 2020). Additionally, Deck 13 has little to do with the actual certification process, allowing their publisher in the country to complete the process. *"They are handling the whole process for us...I have no idea what is going on there to be honest, they just keep me informed"* (Deck 13, 2020).

4.1.2   Localization

Deck 13 does localizations for other languages, however, their Chinese partner fully translates their game for the Chinese market. This is out of a preference to use native speakers, especially those who are fans of the game, as they will better understand the context of how to deliver certain lines, which provides for a higher quality translation. Michael acknowledged that they could use a translation company in Europe, but they would not be able to verify the validity or quality of the translation.

Additionally, because of their deal, their partner would incur all costs, and if the translation was of poor quality, Deck 13 would have no financial liability. "*They do the translation, so they have their own interest in making a good translation or they won't make any additional sales."* (Deck 13, 2020). According to Deck 13, translations average around 10,000 words a week, which, in their experience was fairly quick, with one of their games requiring two months of translation with over 250,000 words.

Beyond translation, Deck 13 said that they did not have any objectionable material in their games, referencing things like Winnie the Pooh or skeletons, which are banned in China. Michael ruled out the idea of creating a separate localized version of their games for the Chinese market that would remove objectionable material in the future, instead removing the assets from the global game due to lack of resources. "*We usually make only one version of the game, so that affects the global version to some degree as well... for example if you don't have skeletons in the Chinese versions then you won't*

have skeletons in the global versions...since we're mostly in the indie sector...the capacities are not there to produce different versions of anything" (Deck 13, 2020). It is unknown whether Deck 13's publisher would be able to potentially create a localized version themselves, but they currently do not have access to the source code of Deck 13's game and cannot think of a situation where this would be necessary.

4.1.3 Piracy

The use of free-to-play monetization models are heavily used in China as a means to combat piracy, Michael suggested the heavy use of free-to-play models in China is not entirely justified *"They also buy full-priced games, or at least full-priced indie games...and they are buying a lot"* (Deck 13, 2020).

Michael was indifferent about piracy. *"I can't stop pirates, so why should I even think about trying to [stop piracy]"* (Deck 13, 2020). In his opinion, the best way to combat piracy is to make a high-quality game and provide demos as pirates are often people who just want to test the game before purchase. *"If you look at Crosscode, it has a 94% rating on Steam and that is doing the job of selling the game in any country. We also usually offer free demos for our games as well...if there's a demo and they play it, and they like it, they might buy the full game instead of pirating it"* (Deck 13, 2020). Michael also expressed his disdain for DRM *"[Expletive] DRM. That's my official statement on DRM when it comes to our publishing, because we don't believe in that"* (Deck 13, 2020).

Michael had a surprising response to how Chinese publishers combat piracy in China, suggesting that the publisher pays off pirate sites from not listing their game near the launch of a game, *"It seems you can pay pirate sites to not list your games in China. And that's kinda important for launch times. At least that's what I have been told... but to be honest, since I have a good relationship with our Chinese partner, I think that this is most likely true"* (Deck 13, 2020).

4.2   Might and Delight

Might and Delight was founded in 2010 in Stockholm, Sweden. All nine of their games are self-published via Steam while their first game was released on console, and two others have been added to the Nintendo Switch in 2018. The studio currently has twenty employees, where all but one are directly involved in game development. While the studio has sales all over the world through digital marketplaces, less than 1% of revenues come from China, mostly via their publications on Steam. By their own admission, they lack strong marketing resources, *"We are quite lousy at marketing, so we haven't done so much...Just the last twelve months we have been sort of active on social media and marketing there"* (Might and Delight, 2020).

4.2.1   Market Entry

Might and Delight self-publishes their game on Steam with a Chinese translation but success has been limited. Joel said they had a spike in sales after a WeChat influencer had played their game, which he attributed to the Chinese translation of the game. *"There were thousands and thousands of Chinese players. And I imagine that we had it mentioned on Steam available in Chinese"* He also attributes some of this to the unique gameplay style of their game to transcend language barriers. *"The game itself is built on symbols, but you can't really write or talk to each other, you just have to use some kind of sign language which is super basic and is quite fun and goes over language barriers"* (Might and Delight, 2020).

Might and Delight has been approached by publishers in the past, but have been comfortable with self-publishing their game *"We are content with being our own publisher"* (Might and Delight, 2020). Joel said that if China were to block Steam, they would not know what their options would be, but would likely lean on their Asian distributor to make connections. *"We have one distributor, so maybe that could work out, but that is a distributor and not a publisher. I don't know"* (Might and Delight, 2020).

Might and Delight has also been approached by publishers in the past who expressed

interest in having their game approved. *"We have spoken to [Chinese publisher], they said, 'They already have a slot for approval for you, should you be interested'"* (Might and Delight, 2020). Joel added that the approval process is completed by the publisher in China. *"It's not so complicated I think, but must be complicated for them, the people who are in it"* (Might and Delight, 2020).

4.2.2 Localization

Might and Delight localizes their game using translation services by quoting out competing companies for batch translations. *"We just say that the long and short description on Steam and here is the English version and we want it on these ten different languages...We don't use specific firms for languages"* (Might and Delight, 2020). Translations, in this manner, are accomplished by Might and Delight, providing a long and short description of their game to translation companies and leaves the rest to them. *"Totally up to them. We couldn't handle or double-check. Of course we contract to competing firms"* (Might and Delight, 2020).

Might and Delight's games are typically considered appropriate for all ages and contains little localization which focuses on the translations of menu options. *"Our game is not very text heavy, just mainly for settings and menus."* (Might and Delight, 2020). However, considerations for altering some content have been discussed in relation to removing some blood from their game. *"One of our games, you play as a lynx mother...but that cat is providing food for the cubs and catches rabbits and so on, and there is actually blood in the game. It has a very specific artstyle. So it isn't vivid or realistic in any way"* (Might and Delight, 2020).

4.2.3 Piracy

When discussing piracy, Might and Delight was apathetic, mentioning they do not do much to counter it. *"We usually distribute DRM free versions on Good Old Games and Humble Bundle. But I think it isn't crazy for a talented [person] to do something about that"* (Might and Delight, 2020).

4.3 Running with Scissors

Running with Scissors is an American developer founded in 1996 in Tucson, Arizona, and has over twenty employees with few administrative roles. The studio is about to release their fourth installment of their flagship Postal franchise, with several additional content releases for their games. The studio self-publishes their games through a couple digital marketplaces, however, Steam has been their main means of publishing. Running with Scissors has only recently localized their game for China and makes up 8% of units sold (Running with Scissors, 2020).

4.3.1 Market Entry

Running with Scissors does not utilize publishers, instead relying on their own localization work to enter the Chinese market. "*Digital streaming has opened up...self-publishing to everybody so you can be a one-person company that makes a small game and you can self-publish it*" (Running with Scissors, 2020).

Running with Scissors is not against using publishers, but rather, there needs to be a benefit that publishers can offer over self-publishing. Large publishers are able to provide a developer with modifying games to work on multiple platforms and offer large advertising campaigns, but mid-tier and smaller publishers can have varying capabilities and factors that can help a game grow. The developers mentioned that it is with these publishers that relationships play a significant part in developer/publisher interactions. "*The critical factors for a developer to choose a publisher, it varies tremendously and it is totally based on the relationship.* (Running with Scissors, 2020).

Running with Scissors has talked to Chinese publishers about their games, however, their experiences with them were superficial. When discussing their history of working with publishers around the globe. This experience dates back to before the use of digital marketplaces when publishers were the gatekeepers of the industry.

> *"Before there was streaming, publishers, they were like gods, they controlled everything, they controlled your rights, they controlled wholesale, they controlled distribution, they had their way with retailers. The developers were the least important part of the puzzle which is quite ironic because without developers there would be no game"* (Running with Scissors, 2020).

To Vince, trust is an incredible concern when interacting with publishers. Due to "grey accounting" of revenue splits and royalties is a bigger issue to them than piracy.

> *"If you can do a deal with a mainstream publisher, do you really think that for a second, when your royalty check shows up, it's an honest amount? I don't. So how much is skimmed off the top. How much is not skimmed, but how much is grey accounting. There is so much that goes into it where the developer is basically the victim...You get a royalty statement from a publisher, is it 10%, 20%? How much are they reporting? You're going to do a deal with Russia, India, or China and expect it to be accurate? I don't think so"* (Running with Scissors, 2020).

Vince believes this is especially a concern with publishers in emerging countries, but noted that digital marketplaces have made this process more transparent *"The math is there and the math doesn't lie.* (Running with Scissors, 2020). But outside of these digital marketplaces, the developer believes their relationships with publishers are the best way for a developer to protect themselves.

> *"A company is only a legal entity, it is the people behind the companies, which is why we're talking about "your relationship is what makes everything'...If you have a really good relationship, or personal relationship with someone, be it in any country, that relationship is*

ultimately what's going to decide the legitimacy or the fairness of the accounting process." (Running with Scissors, 2020).

Vince gave two dichotic experiences to showcase how relationships are vital in the industry. The first described a Japanese publisher, who the developer had strong ties with, had struggled for several years:

> *"I wasn't aware of how much we were owed, I wasn't pursuing it, he, on his own, alerted me that a wire was being sent and sure enough that day we got a sizable sum. That's a beautiful thing"* (Running with Scissors, 2020).

Conversely, Running with Scissors had an American publisher who cancelled a royalty check that had been sent to them.

> *"The phone rang no sooner than I opened it. It was the CFO of the company, 'We made a mistake, and we sent a royalty check and letting you know it has been cancelled.' So do I believe for a second that that company is honest? No"* (Running with Scissors, 2020).

For now, the developer is taking a "wait and see" approach when it comes to potential changes to Steam's accessibility to the Chinese market, instead, they are focusing on development of their upcoming installment of their Postal franchise. *"That is kind of something that we will have to deal with as it comes, currently our big focus is just Postal 4 development and getting it finished"* (Running with Scissors, 2020). However, this is not to say that they are not uninterested in the market. Mike has said they are seeking to be approved by the government, but is not a high priority. *"We're going to do it, but it is definitely coming later."* (Running with Scissors, 2020)

Finally, Vince talked about their love of their community. *"We exist for the*

community. We have a responsibility to do our best, not only in terms of development, but in terms of publishing and distributing and delivering." (Running with Scissors, 2020). Though, Mike admits that they do not get much interaction with the Chinese community as other countries. *"Most of the interactions are through [Postal 2's] reviews on Steam"* (Running with Scissors, 2020).

4.3.2 Localization

Vince describes their games as a platform for American social commentary. *"Postal is by far, predominantly a reflection of American society."* (Running with Scissors, 2020). Postal's social commentaries have taken aim at many different topics, including terrorism, religion, and age. In many Western nations freedom of speech is a normal concept, however, social commentaries and satire can become problematic for a Chinese government that has been defensive to criticism, though none of those commentaries have taken aim at China. *"There is nothing that I would say is Chinese specific. We don't sit here and think about how we make fun of something that is Chinese. There is nothing...planned that should be a red flag to a Chinese gaming authority."* (Running with Scissors, 2020).

Due to Running with Scissors' social messaging within the game, some of their games have been banned by several countries. *"The original Postal is banned in over 10 countries."* However, Vince believes that the internet has been the ultimate tool for freedom of speech, even in countries that have heavy restrictions on what can be said:

> *"Thank god because of the internet today, because no matter what you have, once it exists, once it's presented, once it is shared, once it is communicated, regardless of censorship, government control, whether it be in China or Venezuela or Iran, the fact is, it will find its way, and I actually see that as a beautiful thing...It is about a much larger message that we're communicating. And again, it starts with fun and it ends with fun"* (Running with Scissors, 2020).

Running with Scissors has only localized the remake of their original Postal title, Postal 2, as well as some additional content for the game, which includes both text and voice acting. Translation was done by an independent localization company while Chinese students studying at a nearby university were hired for voice acting. The Chinese students turned out to be a significant help with the translation afterwards. Students were given a lot of freedom to make text and audio sound natural, allowing the students to make alterations to mistranslations and discussing terms that had no direct translation. "*The people we had there just recorded and they just went back and forth with each other about specific things, especially Americana words that there was no translation for. So then they would end up using some slang that they knew*" *(Running with Scissors, 2020).* This freedom allotted to native speakers led to positive feedback in China "*When it was all said and done, we were definitely a little nervous about the quality, but the response from China was very good*" (Running with Scissors, 2020).

The most unique challenge of the localization process came in the sound editing for the voice acting. According to Mike, it was also the costliest due to the lack of Chinese language knowledge by their sound engineer. "*Our engineer had to sit there and every single line that was recorded, the person had to say the line in English first because our engineer doesn't speak Chinese. He had to then make sure he was cutting the beginning and the end of the line*" (Running with Scissors, 2020).

Mike said they did not have any real goal outside of breaking even with their localization, but the results far exceeded those expectations. "*I would say that the amount of Postal 2 units prior to our localization was dwarfed. A good ten to fifteen times more. When we get closer to the end of Postal 4's development we are absolutely going to localize it into Chinese*" (Running with Scissors, 2020). While Mike is certain that they will be localizing their game into Chinese for their next installment, how it will be done is dependent on several variables. "*We may be working with a publisher*

by then or bigger companies that handle localizations because we are going to want to do a lot of languages" (Running with Scissors, 2020).

Running with Scissors is okay with the idea of altering some assets, like blood or objectionable imagery, to be approved in China, recollecting that the same cosmetic changes were expected to be made in order to be acceptable in Germany. However, they did say that this was all based on context. *"If they are specific to pass certs, then maybe"* (Running with Scissors, 2020). Rather, Vince mentioned that what was really important was the message that they were trying to present to their audience. *"It starts with fun and it ends with fun"* (Running with Scissors, 2020).

4.3.3 Piracy

Piracy was a topic that Running with Scissors was passionate about, but not from a loss of sales, but from the growth in their community. *"Piracy in the market everywhere doesn't concern us. I wouldn't say we embrace it, but a lot of our fans came from in the first place, it's how they found out about it"* (Running with Scissors, 2020). Mike viewed piracy as inevitable, and used forums and chat rooms to connect with their fanbase, regardless of if people pirated their game or not.

> *"Everyone will all be talking to us on Discord, 'Hey, I want to be honest with you, the first time I got Postal, I pirated it.' Cool man, glad you're here. If you ever want to make it right, go for it, if not, cool. Just want to be a fan, you're a fan."* (Running with Scissors, 2020).

Running with Scissors' view of embracing their fanbase, rather than focusing on piracy, has led to some surprising responses. *"We've had the occasion, where in the physical mail, somebody would send a $10 bill, and someone would send a check, with a note saying "I owned your game for 5 years, I'm still playing it, I just thought I would pay for it"* (Running with Scissors, 2020). Mike believes that much of piracy stems from people wanting to try a game before purchasing it themselves, adding that

if people took the time to pirate multiple games, they are more likely to support the developer at another time:

> *"Sometimes they try [the game] to eventually buy it and they will buy it if you're not spending all your time trying to sue them. You're going to spend more money fighting it than you're going to make because most of the time a pirated copy is not a lost sale. It's just not. That person wasn't going to buy your [game], period...But you can turn that into a sale if you just talk to them"* (Running with Scissors, 2020)

While they would like everyone to pay for their game that they dedicated large amounts of time and resources to make, their community is what matters:

> *"There is more to being a fan than spending every one of your dollars on our product. We're just very lucky that people have been spending money on our product for over 20 years. But I would say we're luckier that there's more people than that that has played our game."* (Running with Scissors, 2020)

This was especially true when one of their games, Postal 2, leaked from the factory early. Mike said, *"I personally sat in IRC chats and just talked to people that were playing it there. I can't say that I made some massive dent in the piracy, but I think I turned some of those pirates into customers"* (Running with Scissors, 2020).

Running with Scissors has received a lot of positive outcomes and feedback from people who have pirated their games, even leading to talent acquisition for their studio. *"We hire almost exclusively from the Postal fan community. A good 50% didn't buy their first copy of Postal and that is beyond OK"* (Running with Scissors, 2020).

4.4 Developer UK

Developer UK is a solo developer based in the United Kingdom who started out making free flash games for web browsers. They self-publish all of their games as maintaining editorial control over their work is important to them. *"I've never used a publisher for anything, and prefer self-publishing"* (Developer UK, 2020). Developer UK has sales all over the globe with the US (30%) and China (24%) making up the largest two markets, then a precipitous drop to the next largest, Germany (5%) in units sold. However, sales volume does not perfectly equate to sales revenue. *"The game is priced differently in each region (automatically by Steam), so the Chinese income is actually much, much lower than 24%"* (Developer UK, 2020). Jimmy said sales for the game in China were initially small due to marketing being in English, but has grown over time.

4.4.1 Market Entry

Though Jimmy has been approached by Chinese publishers offering translation and publishing help, they felt happy with self-publishing on Steam, but noted that it could change based on Steam's status in China and the terms offered by a publisher, though he did not clarify what those terms would be.

Jimmy has created ten games thus far, with four of them now on digital marketplaces, mainly focusing on Steam due to its algorithms, but uses another market place called Itch.io as a backup for their content. *"Focusing on Steam makes the Steam algorithms promote your game more, if they see that it is popular"* (Developer UK, 2020). They expressed interest in being on the Epic Games store, but said that their curation process is stricter than Steam's and is difficult to contact.

Developer UK seeks out feedback for their games through a number of channels. While Chinese players are allowed to leave reviews of games on Steam, they cannot access social media or forums without a VPN, which makes receiving feedback from people inside of China difficult. This has led the developer seeking out message boards on Baidu, a popular social media site.

"You can probably learn a lot about Chinese attitudes by reading their discussions [on Baidu]. I use Google translate, so I don't understand very well. But they seem to have some opinions about translations, piracy, etc. I think many want to support me because they have played my games for many years" (Developer UK, 2020).

Jimmy is aware of the uncertainty with Steam in the future, which has led to Chinese players buying more games now through the global version of Steam. *"One Chinese user told me they are collecting games before the government blocks them all"* (Developer UK, 2020). While this support has been helpful to the developer, Jimmy also mentioned that they upset a number of players because of some comments they made on Twitter that were critical of the Chinese government. *"I think I'll need to choose my words carefully"* (Developer UK, 2020).

4.4.2 Localization

Developer UK has localized their games in many different languages, with some languages resulting in few sales and would not make professional translations justifiable financially. *"Many Vietnamese and Brazilian people like my games, but they don't pay for them"* (Developer UK, 2020) Jimmy mentioned that the most profitable languages to translate to were Simplified Chinese, German, and Russian. *"Simplified Chinese is by far the most important language to translate games to Steam. Sales from China are higher than any other country, after the USA. I think this is true for most games that offer a Chinese translation."* (Developer UK, 2020).

Developer UK received translation help from native Chinese speaking fans from outside of China due to the Chinese firewall. "*They were volunteers, not professional translators...so they were not working full-time. I have no idea how many "man hours" it took.*" (Developer UK, 2020). The game contains 50,000 words of dialogue and two months to complete, and while it got some minor criticism from China because of the

"strange dialect", it was overall well received. Jimmy insisted that he would like to pay them, but lacks the knowledge of how long those volunteers worked for as well as not being fair to those who translated to other languages. Developer UK does help their volunteers in other ways where possible.

> *Several of the translators want to mention this experience on job/university applications, so I'm doing my best to help them with this, and writing letters of recommendation for them. All of the translators are fans of my games, so they also enjoy the experience of adding their own personal touches. (They have a lot of freedom when it comes to the translations)"* (Developer UK, 2020).

After the translations were complete, the developer noted an unforeseen problem when presenting the text which caused readability issues due to size compared to other scripts. *"I had to make a lot of the in-game text larger, as it was very difficult to read it in Chinese, especially Traditional Chinese."* (Developer UK, 2020)

Due to the use of Steam to sell their games in China, Jimmy has so far resisted any changes to their game. *"So far, I have not censored or changed my games in any way to release them in China, so they still contain skeletons and stuff like that"* (Developer UK, 2020). However, Developer UK has made some minor changes out of concern of offending players, rather than government censorship. *"I removed the imperial Japanese flag from one of my enemy designs, which someone told me is quite offensive in Asia"* (Developer UK, 2020).

The effects of Developer UK releasing their latest game in Chinese on launch day had a marked effect on sales not only on the released game's sales, but on the developer's other games as well, though they were cautious to tie it to the translation of their game, suggesting it may also be from Chinese players hoarding games before Steam is locked

out. The previous iteration of the developer's flagship title increased from 3% to 15% in China, while a separate series increased from 8% to 19%. *"I've seen a big increase in sales from China over the last year, in my games that aren't translated!"* (Developer UK, 2020).

4.4.3 Piracy

The developer makes no effort to stop piracy of their game. *"My games are DRM-free, and easy to decompile and edit. It doesn't worry me,"* (Developer UK, 2020). Instead, the developer believes that Chinese players support the game, and in turn, Developer UK will support their language and culture like the Chinese New Year event with themed items to collect after seeing how many Chinese players they had. This gives an additional protection towards piracy in the market. "*Automatic updates also make legal copies more convenient...I will try to do more in future games."* (Developer UK, 2020). Jimmy added that they do release a free version of their game once all updates are done. *"I try to avoid updating multiple versions, so the free version was launched only when I was quite sure there would be no further changes made to it"* (Developer UK, 2020).

4.5 Dangen Entertainment

Dangen Entertainment is a Japanese video game publisher with localization capabilities of their own based in Osaka, Japan. The company was founded in 2016 and currently has six employees who share some crossover of duties (Dangen, 2020). Dangen's sales in China amount to roughly 10-15%, however, sales have been as low as 5% and as high as 30% depending on the game (Dangen, 2020).

4.5.1 Market Entry

Dangen has almost exclusively relied on Steam to enter the Chinese market for its ease of publishing to a global audience. *"You can technically release it in Chinese and Chinese players can access it"* (Dangen, 2020). However, publishing on other platforms creates complications because of the approval process. *"To get into the Chinese market on other platforms...besides Steam, you have to get through the government approval process"* (Dangen, 2020). This can become painstaking for

many developers as the already lengthy process has been further delayed due to the approval freeze in 2019. *"There was a time when getting submissions through was difficult because of how long they had to stop them"* (Dangen, 2020).

While the approval process never affected Dangen's decisions regarding market entry, it is becoming more relevant towards PC gaming as Dan acknowledged the change that may be coming. "*So [the approval process] didn't factor in before, but it will now because of the state of Steam, right now is in question. But later on, I don't think it will be a question anymore. It will be a necessary component of working in the market"* (Dangen, 2020). This is where having a Chinese publisher is important, as a foreign publisher cannot apply for approval in China. *"The approvals process can only be done by a Chinese company themselves"* (Dangen, 2020). This indicates that having trusted Chinese partners are going to be vital for continued success in the market.

> *"The strategy for that is to know the different teams that we know in China who we might be able to go through, but that does mean that those teams have interest in the project that we can bring to them. I think there might be some teams who'd be more interested in the games that we want to sell"* (Dangen, 2020).

Access to the Chinese market is not the only benefit Chinese publishers offer as they can leverage their social media and connections to the press and popular content creators in China. This lack of market knowledge makes the vetting process to discern content creators from scammers nearly impossible by themselves.

> *"There are ways of consuming content creation like YouTube-type programming and if you don't know those individuals and don't have connections with the communities and stuff there's not like a way to leverage even give them keys (game access) if you wanted to. It also*

makes it difficult to know if these are legitimate channels or not?"
(Dangen, 2020).

For Dan, trade shows like Taipei Game Show and Tokyo Game Show have been instrumental in connecting to, and developing relationships with, Chinese publishers. *"There are a lot of teams from mainland China there and the publishers there want to meet other publishers so we can do this kind of business...They're as eager to meet publishers as publishers are to meet them"* (Dangen, 2020).

Creating large networks is vital to a developer's success in the industry as well as a reason to work with a publisher, as business development takes time and resources that small developers may not have. *"I think there's a lot to be said for knowing people"* (Dangen, 2020). These networks are important, not only to provide better opportunities and knowledge, but to find the right partner.

> *"For things like revenue share, you have to consider what people are offering and what kind of options you have. But I also see people sometimes, purely thinking on the money side of things, instead of what is the company's primary business, how often do they work with independent games instead of mobile games, do they work on PC a lot. Do they do premium or is it all free-to-play? I think it is important to take a look at a company's background and experience and make sure that your project fits that profile"* (Dangen, 2020).

Dan was not able to provide any real differences in behaviors or business strategies between Chinese publishers and their Western counterparts, but notes that the publishers he has worked with have generally been good experiences. *"I found them organized and passionate and found that they work hard to use their connections in service of their games"* (Dangen, 2020). Dan would not offer specifics into revenue splits or other demands that their Chinese partners typically demand, but noted that

they were not unusual. *"It's very fair especially for the work that they do...I could say that it's an industry standard across the Western markets as well"* (Dangen, 2020).

4.5.2 Localization

While localizing a game for the Chinese market can increase sales, not every game should have a strategy of entering the market. *"I can think of some games where it would be a really big deal, but I also don't know for sure if those games would be interesting to Chinese publishers as well"* (Dangen, 2020). For this, Dangen relies heavily on their Chinese partners to provide them that information. *"That sort of expertise and insight in the market is really valuable because it can save a ton of time and money to try to force something that's not a good idea"* (Dangen, 2020).

Chinese publishers better understand their own market and are able to gauge, not only if content would be interesting to Chinese audiences, but if there is any Western imagery that would be problematic due to cultural unfamiliarity. *"That is the kind of thing that I would trust the publisher in China to be taking into account"* (Dangen, 2020). From Dan's experience, Chinese players have shown more interest in games that are fantasy worlds. *"They have shown interest in games that are more fantasy worlds of some complete nature and those fantasy worlds seem to make enough sense to Chinese players that they don't need to make non-text based edits"* (Dangen, 2020).

Dangen's partners in China provide an array of assistance for localization of a game, including translations and a report of flagged items that would need to be changed if the developer were to seek governmental approval. *"Starting in that process they identify what items that would be flagged that would need to be changed so that later on they can put together a document that details what are all the edits that would be required to make the submission"* (Dangen, 2020). Publishers will, additionally, offer development assistance to make the edits required for submission. While this may not apply to all publishers, Dan observed, *"I have never partnered up with a Chinese company for localization when they haven't also done the publishing in the region. So*

far, it has always come as a package with localization and marketing and QA support" (Dangen, 2020).

The costs of these services are all covered by the publisher themselves, making the decision a lot easier to use Chinese publishers rather than independent translation services where quality cannot be verified. However, this means that Dangen also defers judgement to their publishers to help determine what games get published as to not damage relations if the game does not perform well. *"The goal is to have a healthy relationship"* (Dangen, 2020). Dan did not specify a specific target for what acceptable returns are, but he said that it should take into account the amount of time and cost that was put into the localization.

Publishers are not the only decision makers in whether a game gets localized. Developers may also decide that they do not want their game to be altered from its original content due to censorship beliefs. *"There was one developer that I asked about it, and they said that there was a skeleton in the game and for personal reasons, they weren't willing to edit it out or make it so that it wasn't a skeleton"* (Dangen, 2020). Dan said that he understands this mindset, however, he disagreed and viewed censorship as changing the messaging of the game, but that skeletons are more of a cultural consideration. *"If there are skeletons or blood that we can't change, now it has to be edited out, it used to be you could change the color, but now you can't have it at all, but if we can't take it out, we just don't apply"* (Dangen, 2020).

Localization can be a significant, time-consuming activity for the developer. This has resulted in at least one developer declining to have their game localized. *"They were able to afford it, but the time and the strain to get it done, it was more of a stress thing"* (Dangen, 2020). This is often due to localizations taking developers away from creating more content or doing other projects. "*If they have time to do it, then they are not able to work on other things at the time.*" (Dangen, 2020). An example Dan

provided discussed how specific art styles make changing assets too time consuming for a developer to change.

> *"Pixel art you have to completely redraw stuff, you can't do it in some modular way. So if you need to edit animation, that would be the worst thing because the animation is made up of tons of images and each one has to be edited. So that can be really time consuming and there also may need to be styles to consider such that maybe only the original artist can make those edits"* (Dangen, 2020).

When Dangen does decide to enter the Chinese market with a game, they have usually already done localizations for other languages as well. This makes doing the prep work easier and provides a lot of materials and glossaries for their Chinese partner with regards to background materials, character personalities, how they behave and sound, so that the publisher can properly localize a developer's work. *"We do have a whole person who handles that job for us and at the point that we have signed on with a Chinese partner for a game, it's likely we have already done at least some amount of the localization or at least the prep work for it"* (Dangen, 2020).

While Dangen's games are typically complete and will not receive updates after they are localized into Chinese, post-launch updates can create significant problems. If the game does expect updates, developers need to have a conversation as early as possible to ensure that everyone is on the same page and updates are done efficiently or the updates could become costly.

4.5.3 Piracy

Dangen relies on their local partners on issues related to piracy within China. *"For Chinese piracy, it's really hard to keep up with that like a local partner who would be able to keep up with it"* (Dangen, 2020). Their publishers will occasionally request changes be made in the game's DRM to reduce piracy, though Dan was unsure how effective these changes were. *"I would have to look at the data to really understand*

it" (Dangen, 2020). While Dangen's partner suggests changes similar to DRM, Dan has a more laissez faire approach to piracy. Outside of using Steam's Digital Rights Management (DRM) software, Dan said the studio does not do much to protect against piracy and that he does not see piracy as lost sales, believing that if someone pirates a game, they were never going to buy it anyway. Finally, Dangen is against the use of DRM. *"I really do believe in DRM-free, I guess I believe in humanity a little too much to think that everyone is out there to try to steal my stuff from me."* (Dangen, 2020).

4.6   Miscellaneous Findings

In search of willing case studies, it was noted that several developers declined to be interviewed, not out of unwillingness to contribute, but rather that they deferred their localization decisions to their publishers. While a handful declined interviews based on concern over crossing non-disclosure agreements pertaining to their relationships with Chinese publishers.

5 Analysis

This section analyzes data obtained from the five case studies that were conducted over the course of this study to integrate and compare with its review of relevant literature. This chapter follows the thematic analysis to compare and contrast how the various developers viewed their entry into the Chinese market and the different strategies each developer took to overcome the barriers they faced.

5.1 Market Entry

Chinese regulations state that foreign developers must utilize local publishers and have their games approved by the government (Cao and Downing, 2008). Despite these regulations, only two of this study's participants are partnered with Chinese publishers, and none have been approved for sale in the country. Participants entered the Chinese market by translating their games into Chinese and publishing them to the Steam digital marketplace. This is consistent with literature by Knight and Cavusgil (2004) who found that BG/INVs use global modern infrastructure to fill a global demand of knowledge intensive products by adapting unique tactics to support their global performances. This is also congruent with Khanna and Palepu (1997) who stated that successful companies adapt their business models to institutional voids. Additionally, as Chinese publishers do not seem to prioritize the nation's approval process, this can be extended to the Chinese publishers in this study who seem just as willing to utilize their nation's regulatory voids to their benefit. As such, this view is supported by literature from Meyer and Rowan (1977) and DiMaggio and Powell (1983) who found that firms face contradicting requirements of market rewards and institutional conformity.

This study found that studios who had their own marketing and localization capabilities chose to utilize local publishers, while developers who chose to self-publish remained doing so. Additionally, several contacts declined to participate in the study referencing their publishers who handle their localization decisions. This suggests that developers do not commonly interact with Chinese publishers, but rather

do so through existing publishers, though, all three self-publishers in this study, have had some contact with them. This is in line with Coviello (2006) who found that SMEs use their networks to access international opportunities. Self-publishing developers have been able to overcome some outsidership, to the extent of using Steam to act as a bridge between developer and player to bypass publishers as discussed by Broekhuizen, Lampel and Rietveld (2013). This also follows literature by Gabrielsson and Kirpalani (2004) who found that INV/BGs still often use MNC channels (digital marketplaces) in an effort to access resources (market access) without relying on larger entities (Chinese publishers).

It has become apparent to the author that the most significant tool used to circumvent Chinese regulations has also become a significant source of dependence, as Steam Global now faces an uncertain future in the country. This is consistent with Pfeffer and Salancik (1978) who found that INV/BGs reliance on larger firms leaves them vulnerable to that firm's behavior, or in this case, sudden regulation changes in a market that sees higher levels of government intervention (Peng and Luo, 2000). All studios in this thesis expressed some doubt as to how they would adapt to such a change, with all self-publishers expressing a "wait and see" attitude. While those already using publishers will undoubtedly continue to do so, self-publishers will likely test this path going forward.

Fiedler, Faith, and Whittaker (2017) found that outsidership can persist for years. This is evident as self-publishers lack knowledge of Chinese networks due to a lack of Chinese language proficiency as a major factor. While Might and Delight was able to have their game played and sales increased by a Chinese influencer, this was through happenstance and cannot be seen as a reliable effect of a deliberate strategy, nor did Developer UK or Running with Scissors demonstrate any significant market knowledge. Developer UK showed the most effort to understand the market using Chinese message boards with the use of Google Translate. This is consistent with literature by Sharma and Blomstermo (2003), Bell et al., (2003) and Fiedler, Faith and

Whittaker (2017) who found that outsidership, especially in psychically-distant markets, is more difficult to overcome. This case also follows literature by Knight, Madsen, and Servais (2004) finding that INV/BGs utilize modern communication methods to obtain information for marketing. Without their Chinese publishers, they would have no means of vetting legitimate content creators. This example shows that studios who utilize publishers are able to gain more effective marketing for their game in China, helping developers do on purpose, what Might and Delight did by accident and more consistently. Using content creators also helps show off the quality of a product to their fans, providing the game more legitimacy as found by Maruyama and Wu (2015).

Both Dangen and Deck 13 have stated that they place trust into what games are localized for China in their publisher for two reasons. First, they would have better knowledge of what will be popular. Second, because publishers absorb all costs, they do not want to damage the relationship by forcing a bad decision which is in line with literature by Gounaris (2005) who found that trust is built through relationships that are free and open. This is also consistent with Mezias (2002) who found that using local executives for decision making as a strategy to overcome liabilities of foreignness. Finally, Dangen and Deck 13's reliance on their partners for decision making on their games is supported by Chen and Chen (2004) who found that firms heavily rely on trusting partners in emerging markets.

In addition to marketing, publishers provide increased market access by providing the ability to be listed on Steam China. However, developers must be certified through the country's notoriously strict and lengthy approval process and can only be done through a Chinese partner. This approval process prohibits the use of certain themes, imagery, and content, and is not always objective or clear (Zhang, 2012). While emerging countries, like China, have imposed strict measures regarding foreign media acceptance, consistent with current institutional theory literature (Hoskisson et al., 2000; Meyer, 2001A; Oliver, 1991), Chinese publishers assist their developers with

reports detailing flagged content that would need to be changed if they were to seek approval for the game.

As previously mentioned, Chinese publishers incur all costs of marketing and localization. For their efforts, publishers are compensated through revenue sharing. While these splits can vary, revenue shares were deemed in line with industry standards per Dangen, which could be up to 50% according to Deck 13, though having good relations could reduce these rates. This extends on literature by Gandia and Gardet's (2019) regarding resource dependence of video game developers on publishers, but contradicts Peng and Luo's (2000) literature finding that government involvement magnifies effects of dependencies. Despite some government involvement, it seems that video game publishers in China take a more market-based approach. It appears that video games enjoy a fairer revenue sharing model compared to the movie industry's 75% (Grimm, 2015). Additionally, at least to this thesis' findings, IP transference has not come to light, something that is seen as vital in the creative industries as mentioned by Gandia and Gardet (2019).

Steam's uncertainty means networks may play a significant role in future success in China. Dangen expressed the importance of using publishers, as developers often lack networks which are costly and time consuming to develop, echoing literature by Johanson and Vahlne (2009). Both studios with Chinese partners used trade shows for business development and networking to find partners for the Chinese market. Dangen expresses the benefit of having extensive networks provides them with more knowledge towards business intelligence and better decision making regarding revenue splits, portfolio focus, and finding more suitable partners. This is in line with research by Coviello (2006) who found that networks provide INV/BGs with a large number of benefits including contacts and knowledge.

Deck 13 attributed their success in the country to their publisher, but noted that they worked carefully out of concern for scam companies in China. This is consistent with

Bengara et al. (2012) and Yang and Wang (2011) who found that Western SMEs have difficulties finding suitable business partners in emerging countries. To overcome this, Deck 13 used their existing networks to help the developer vouch for the credibility of their new partner's work. Schweizer (2013) found that firms use networks to overcome outsidership, however, Deck 13's case runs counter to Bell et al., (2013) who states that firms entering a psychically-distant foreign market are unable to rely on their existing networks. After vetting their publisher, Deck 13 built trust with their partner by using a small, low-risk project before doing more significant projects as trust was established. However, this could be unique to an industry that heavily relies on reputation as discussed by Running with Scissors and Deck 13 and shared in literature by Saxenien (1994). This is in line with literature by Morgan and Hunt (1994) who emphasized the need to build trusting relationships. Finally, Deck 13 expressed their compassion for their Chinese partners on a personal level who they now prioritize, regardless of business needs, at trade shows. This ties in with literature from Yeung and Tung (1996) and Lee and Dawes (2005) who discussed guanxi and its vitalness to building trust in China. A concern was raised by running with Scissors who said "grey accounting" is problematic in the industry, though Steam has provided more transparency, trust ensures fairer accounting for developers. This view is shared by Hamel, Doz and Prahald (1989), who found trust can protect against opportunistic behavior.

In comparison, Developer UK and Running with Scissors focused on people in their social networks. Despite Running with Scissors' use of a translation company, both Developer UK and Running with Scissors utilized native Chinese speakers in their fanbase (Developer UK) or a nearby university (Running with Scissors) to get higher quality translations to overcome their outsidership and foreignness. Their experiences are consistent with Coviello (2006) and Sharma and Blomstermo (2003) who found that INV/BGs often lack resources to overcome deficiencies. Developer UK's translators were fan volunteers, and while there was no monetary compensation, the developer assisted translators by means of job and college references. Running with

Scissors hires almost exclusively from their community leading to greater innovation and product creation by using fans in the creation of their games as found in literature by Yli-Renko, Autio, and Tontti (2002) observing that networks facilitate innovation and product creation.

Might and Delight takes the most hands off approach, relying solely on Steam, using only a translation company for localization of their game. They have had inconsistent success in the Chinese market with little success outside of a WeChat influencer finding their game, resulting in thousands of new purchases from China. This ties back to Deck 13's comments about localizing a game for China mentioning that games in Chinese will have some kind of success, and though Steam has allowed Might and Delight to overcome a significant level of outsidership, it does not provide for help overcoming foreignness (Yamin and Kurt, 2018), or marketing that the publishers would have benefitted from due to outsidership (Johanson and Vahlne, 2009).

5.2   Localization

Every studio discussed translation as their main focus of localization, as consistent with literature by O'Hagan and Mangiron (2013) and Dong and Mangiron (2018). This links localization to product adaptation literature by Petersen and Pederson (2002) as a market entry method to overcome foreignness and gain legitimacy as detailed by Maruyama and Wu (2015). Each studio outsources their localization processes due to their lack of Chinese language knowledge as discussed by Mangiron (2007) and Kline and Brown (2019) and demonstrates a level of dependence on them as they are unable to verify the quality of the changes as consistent with Lavie's (2006) and Gandia and Gardet's (2019) research describing intangible dependencies. There is one unique case in this study, Running with Scissors, who utilized a hybrid method where a translation company converted the script to Chinese, but used Chinese voice actors they hired themselves for audio. This has not been documented in any literature to this thesis' knowledge.

Both studios utilizing Chinese publishers have localization capabilities of their own, preferring to use native Chinese speakers who have a vested interest in the quality of the translation. For Dangen, they utilize these capabilities to provide localization materials for their publisher to facilitate a higher quality localization as consistent with Mangiron's (2007) outsourcing strategy.

Where localization strategies become diverse are in self-publishing developers who must innovate to overcome their deficiencies as noted by Dhanaraj and Parkhe (2006). For Might and Delight, it was as simple as hiring a translation company. Developer UK used native speaking fans and Running with Scissors used Chinese students at a nearby university to help them with a more authentic localization as discussed by Mangiron (2007). However, the latter two's methods had some interesting nuances which both developers learned a great deal from, as is observed by Geneste and Galvin (2015) and Fiedler, Faith and Whittaker (2017) who found that even one-time events can provide valuable learning opportunities.

For Running with Scissors, the developers found that, despite the freedom provided to the translation service, many words, phrases, references, and idioms had no direct translation which was mentioned by Dong and Mangiron (2018) and DiMarco (2007). This led to some confusion and beneficial discussions between the Chinese voice actors who were given the same freedom of language adoption. However, due to some pop culture and political references in their game, some lines had to be scrapped as constant with Costales (2012). The use of volunteer translators and Chinese students led to an interesting twist on current literature. While Barnard (2010) discusses the use of supplier bases and employees, this literature can be extended to the use of amateurs rather than professionals. To this thesis' knowledge, no literature exists regarding the effectiveness of fan translations of the game, which Dong and Mangiron (2018) also acknowledged as a limitation and potential for future research in their research.

These methods did not come without their problems for developers. While Chinese students were better able to adapt poor translations to normal conversations, the editing of the voice acting presented the costliest portion of the translation due to the sound editor's lack of Chinese knowledge. To adapt, the actors were asked to say their line in English, then in Chinese, so the editor could match the voice cues. Additionally, this study has shown that voice editing of a multi-language game can greatly increase the cost and time requirements if there is a language barrier for engineers, something not discussed by Dong and Mangiron (2018), the insourcing of localization for translations, and its increased, costs is consistent with Mangiron (2007)

Developer UK's translations were done by native speakers from outside of China which led to some criticism over a dialect that seemed strange to mainland Chinese players, despite this, the translation was overall well received. This is an interesting nuance as foreignness still persists from using Chinese native speakers if they are not from mainland China, however, it did not seem to greatly detract from the legitimacy provided to the game as discussed by Maruyama and Wu (2015). An unexpected issue with the translation occurred, causing the developer to alter the size of the in-game text due to readability issues. While Mangiron (2007) identified this problem for languages in general, Dong and Mangiron (2018) did not address this issue in their research. Additionally, the positive response towards Developer UK's and Running with Scissors use of fan/amateur translations is new evidence towards a limitation of Dong and Mangiron's research (2018).

One instance of assets being changed in a game was found when Developer UK changed a Japanese imperial flag in their game due to the imagery being considered offensive in many Asian countries. This is congruent with research by Mangiron (2007) and while it was the developer's decision to alter this, Dangen and Deck 13 pointed towards content which would be compulsory to change for Chinese approval as discussed in literature by Dong and Mangiron (2018), Costales (2012), and DiMaggio and Powell (1983).

While those that used publishers did not have any issues with translations, Dangen mentioned that some art styles, like pixel art, can lead to significant issues in regards to time and artist availability, as they are often the only person that can adequately alter the numerous frames of individual animation in a game. Mangiron and O'Hagan (2006) discussed localizers as *"transcreationists"* who alter games to fit their intended purpose. Dangen's comments regarding specific art styles suggests there are some limitations to Mangiron and O'Hagan's (2006) transcreationist idea. They also mentioned that updates must be explicitly communicated, as poor communication between developers and publishers can lead to redundant or unnecessary translations and added costs.

For the trouble that localization can cause, every developer expressed some level of satisfaction with localizing their game for the Chinese market. All developers saw (sometimes significant) increases in China. For Developer UK's case, this led to increased sales of their other games which had no official translations in Chinese. This is confirmed by Yamin and Sincovics (2006) as Developer UK's use of, not only localization, but fan feedback, to make the game more appealing to Chinese players. The overall findings reiterate DeLange's (2016) research, stating that knowledge of consumer preferences is vital to success and that localization is an effective product adaptation strategy for market entry (Petersen and Pedersen, 2002). Additionally, Dong and Mangiron (2018) identified the link between localization strategies and market performance as an area of further research. While the sample size is limited, the findings suggest that using native speakers, regardless of experience, provides a greater level of pragmatic legitimacy through the creation of a superior product as defined by Suchman (1995) and Maruyama and Wu (2015). This author hesitates to say that its findings on various localization method's effects on market performance is the first of its kind, however, searches into the topic have not returned any viable results.

5.3 Piracy

Every developer expressed indifference towards piracy's effect on sales and were anti-DRM distribution as discussed by Tsotsorin (2012). There were two unique observations in relation to the cause of piracy. The first was shared by Dangen, Running with Scissors, and Holm (2014) who did not view piracy as lost sales, rather, people who were playing a game that were never going to purchase it to begin with. Second, Deck 13, Running with Scissors, and Gupta et al., (2004) believe people often pirate games as a quality trial. As such, piracy, in this context, can be seen as players testing the pragmatic legitimacy of a product as found by Suchman (1995) and Maruyama and Wu (2015).

This paper finds that developers use content creators on social media and live-streaming to market and gain legitimacy (Suchman, 1995) and Maruyama and Wu, (2015) in the Chinese market. This paper also finds that developers and literature has identified the use of piracy to trial out a game and users may buy it if they like it (Gupta et al., 2004; Rasch and Wenzel, 2011). This paper wonders if there can be a link made between marketing through content creators and a reduction of what this paper would call "pragmatic piracy."

When it comes to how developers combat piracy, each one had a different response. Deck 13 creates demos for their games and focuses on creating high quality games that people would want to buy, which is in line with their views as previously noted and congruent with the method mentioned by Hill (2007).

Running with Scissors, on the other hand, stopped short of saying they embrace piracy, but they embrace their community regardless of if they paid to play or not and hire almost exclusively from that community. This reciprocal view of community engagement and piracy creates a new view on Holm's (2014) research as a form of piracy prevention, a contradiction to Tsotsorin's (2012) belief that piracy only benefits the pirate, and a unique take on social capital (Coviello, 2006) and resource acquisition

(Arenius, 2002). Additionally, dedicated fans who have pirated Running with Scissors' games have even sent money later because they enjoyed it, lending evidence towards trial-based piracy (Gupta et al., 2004).

Developer UK uses updates as a way to provide additional content for fans and make ownership more convenient as Steam's system automatically updates games, where pirated copies require manually updating the game. This finding represents a new piracy strategy in literature as, to the author's knowledge, no known literature exists on the idea. The developer also uses community engagement (Holm, 2014) by participating on Weibo forums.

While Dangen themselves do not concern themselves with piracy, they defer to their Chinese partners on recommended changes that make the game less likely to pirate. This matches with Chen and Chen (2004), who found that firms rely heavily on their partners in emerging markets. However, both Might and Delight expressed that they do not do anything outside of using Steam's platform to combat piracy which Totsorin (2012) and Holm (2014) have found to have been highly effective in Russia as well.

However, an observation of interest came from Deck 13, who suggested that their publisher pays pirate sites to keep them from listing their games, especially during launch periods. To this study's knowledge, no known research about this strategy exists to reduce piracy and came as a surprise to Dangen as well.

6 Conclusion

This thesis' purpose is to analyze how the Chinese institutional environment affects how video game developers enter the Chinese market. While research into the topic has been limited, this thesis focuses on three broad questions to explore and generate knowledge which can be built from in the future.

6.1 Answers to Research Questions

RQ1. How does the Chinese institutional environment affect market entry of foreign video game developers?

As China is considered an emerging country, institutions typically play significant roles in markets, especially, in China's case, regulatory institutions. Additionally, as literature has stated (Ernkvist and Strom's, 2008), Asian countries typically have national technology policies. This can be seen in China's approval process and a blind eye to piracy (Liao, 2016), acting as a gateway to control media entering the country and retaining more economic activity through the mandate that foreign developers use local publishers (Ernkvist and Strom, 2008). PC digital marketplaces like Steam allow developers to operate outside of China's regulations allowing them to publish uncensored content without the use of a local publisher, contradicting a national technology policy as discussed by Ernkvist and Strom (2009).

This study found that piracy, in consideration of a government's techno-nationalist policy, has no effect on any case's decision to enter the Chinese market. None of the developers use DRM or expressed an interest in trying to stop piracy. The methods that developers have taken, however, cannot be seen as a result of the Chinese market, but a general strategy to reduce piracy.

Language is a social institution that each developer has discussed as a significant obstacle to overcome through the use of localization. There are several methods of how developers can localize their game to adapt to the host nation's culture, but all have varying levels of success and costs. This language barrier not only affects how

developers alter their game for the market, but also their marketing effectiveness through media networks.

Even if developers are able to bypass the language issue as Developer UK did, outsidership is made more problematic by the inability of Chinese people to access social media commonly used outside of the country without the use of VPNs. A popular way for developers to showcase their games to potential buyers is through social media and content creators. As Might and Delight and Dangen have pointed out, accessing these influencers can significantly help with sales and marketing. However, without proper market knowledge, it becomes impossible to vet legitimate channels from scammers.

The use of Steam to access the Chinese market has effectively, to this point, made Chinese regulatory institutions moot for entering the market. However, Scott (2008) found that the cultural and symbolic aspects of the market are often more consequential than the regulatory elements. Foreignness and outsidership remain significant barriers for developers, even though Steam has allowed developers to overcome outsidership related to market access. However, as noted in recent media and this case study, PC marketplaces face an uncertain future. As such, using Chinese publishers may soon be more difficult to avoid in order to enter the market. This study finds that China's regulatory institutional environment has been largely absent in the PC game market with the exception of those who wish to be voluntarily approved. Though, as Luo and Tung (2007) noted, regulation changes can be unpredictable and sudden changes, like the approval freeze in 2019, may leave developers scrambling to adjust.

RQ2. How do Chinese publishers affect market entry into China of foreign video game developers?

Chinese publishers provide a host of services for foreign developers looking to enter the market. While the current market loopholes regarding Steam Global makes market

approval for PC games somewhat of a benign feature, the approval process allows developers to be listed on Steam China. This approval can only be initiated by Chinese publishers who complete all documentation and communication with the government on behalf of the developer.

Because foreign developers experience significant foreignness in China, publishers provide professional translations. Additionally, publishers provide developers with reports that identify problematic content and imagery that would have to be changed if a game were to seek approval in China. While localization assistance is offered, it is up to the developer if they wish to give up creative control over their game in order to be approved for sale.

As mentioned in the previous question's response, Chinese media circles can create significant barriers for foreign developers that publishers are able to overcome by identifying influencers, streamers, and traditional media outlets to market a game. As Might and Delight found, these influencers can generate significant sales, and publishers are able to do that on a more consistent basis through their marketing knowledge. Just as publishers in the country are more attuned to their media, they are also more attuned to piracy in the market. As such, publishers have provided suggestions on how to change DRM to make piracy more difficult, though an interesting finding in this study suggests that publishers will pay piracy sites to not list games for the launch of a game to increase sales.

Chinese publishers offer an array of services for developers looking to enter the market, including: localization and translation services, quality assurance, marketing, anti-piracy advice, and government approval. To the extent of this thesis' findings, publishers incur all costs associated with these activities. For their efforts, an industry standard revenue share is expected, though strong, long-standing relations may affect this percentage, which can be up to 50% of revenue in the market. However, as

restriction on Steam tighten, revenue share and other demands may change due to publisher positions becoming more leveraged.

RQ3. How do foreign video game developers approach localizing their games for the Chinese market?

Localization is a form of product adaptation that video game developers utilize to alter their games to be more approachable by foreign audiences. The main focus of this process is primarily translation of a game's language, however, content alterations may be made to be more sensitive or accommodating to these audiences. In this case, developers focused mainly on translation of their games, while one made a minor change to their game's assets. Additionally, because the global version of Steam is still available, asset modifications seem voluntary at this time as long as games are not seeking to be approved.

The Chinese approval process creates a steep demand on localization efforts, as imagery like blood, nudity, skeletons, Winnie the Pooh, and other controversial content is required to be edited out, including concepts like time travel. Additionally, publishers may provide documentation regarding problematic content of a game. This has three benefits for developers. The first, alleviates guess work by developers as to what may be deemed inappropriate in China. The second, allows developers to decide if they are okay with changing the suggested content. Finally, developers are provided enough information to analyze the resources required to make the edits necessary for approval.

If developers are utilizing a Chinese publisher, all translation of a game is completed by the publisher who provides high-quality, authentic translations and, as mentioned, a report that identifies problematic content that would need to be altered if the game were to seek approval. As publishers incur all costs of a localization, developers have little to no risk in relying on their publishers as they have a financial interest in the games success.

Two translation paths were observed in this study for self-publishers. While this does not mean that there are only two options available, only two paths identified. These paths include the use of translation services and amateur translators. From evidence observed, both of these methods have their pros and cons. While using translation services provides easy-to-access professional translators, this does not guarantee that context of translations are fully captured for specific situations, leading to mistranslations, especially cultural references, as found by Running with Scissors. Developers have to place a significant amount of trust, and some financial risk, in the quality of work of translation services as they have little means to verify quality. This is not to say they do not exist when using native Chinese speakers from outside China, as found by Developer UK, but this did not seem to be a significant issue. Overall, it seems that utilizing amateur, native Chinese speakers has provided the greatest outcome for developers with little discernible effect on market reception from their Chinese publishing counterparts, at least to this thesis' findings.

This thesis found one lone case that utilized voice acting, which came with its own unique problems not faced by other developers. In this case, the editing process became the costliest due to the lack of Chinese language knowledge by the engineer. Because of this, self-publishing developers can expect more complex problems and additional costs associated with localization if audio is involved.

This thesis' cases have all published their games via Steam and have not been forced to edit content in their game, however, since video games are cultural products, developers seeking to connect to other cultures may not realize they may unintentionally offend their audience. Developer UK utilized a Japanese imperial flag which was found to be offensive in many Asian countries. As a result, the developer changed the flag to another image. This is one instance of how cultural institutions affect video games.

Localization is the greatest tool that developers can utilize to overcome their game's foreignness for Chinese audiences. Translation is the most important type of localization as it allows developers to overcome language barriers vital to playing the game. Studios with Chinese publishers will receive a low-risk, high quality localization. Self-publishing carries greater risk and variance in quality. While these services are more accessible for self-publishers, they have no financial interest in the success of a game.

Due to the potential unavailability of Steam in the Chinese market, developers may expect that heavier use of localization may be required as the approval process becomes unavoidable and may need to evaluate how much time and resources they wish to dedicate to altering or creating a separate version of a game. As Deck 13 mentioned, creating a separate Chinese version takes significant effort and resources that developers would have to divert from other projects. Using a global version is more cost-effective, but censorship conscious players may take offense to this strategy as found in recent media when Ubisoft did the same. Finally, Dangen suggested that not every game should have a strategy for China as a developer needs to understand that some games may not be interesting enough to overcome costs associated with different localization strategies.

6.2 Theoretical Implications

The purpose of this thesis is to analyze the effects of the Chinese institutional environment on the entry strategies video game developers choose to enter the Chinese market. Earlier in this thesis, a conceptual framework (Figure 1) was laid out to explain how foreign developers entered the Chinese market based on existing literature. Through this study, new information was found, as such, the framework has been altered from its original form in order to deliver on this paper's objective.

Figure 2: Revised Conceptual Design
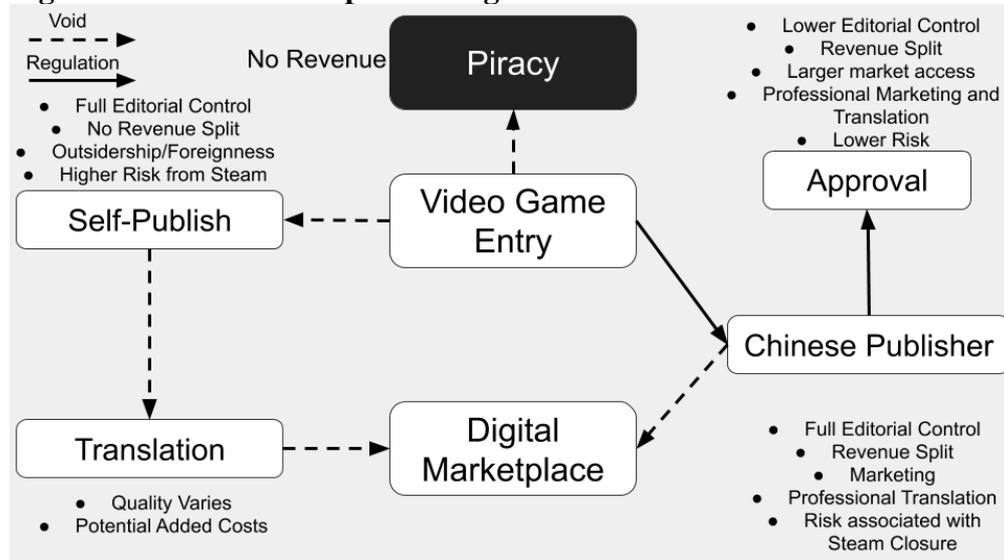
Source: Own (Based on Literature and Results)

In existing literature, video game developers are referred to as "Innovative SMEs" but never International New Ventures or Born Globals. As INV/BGs are often small, young, and resource poor firms that sell their product globally (Cavusgil and Knight, 2015). Developers are often small tech firms, even solo developers, who have unique knowledge in game development through programming, but often lack their own marketing resources or in this case, Chinese language knowledge. Their products are now often sold digitally through various digital marketplaces through the use of broadband internet which matches research by Oviatt and McDougall (1994) and Cavusgil and Knight (2015). With this in mind, this thesis is confident in categorizing video game developers as INV/BGs.

This thesis still finds that there are three methods of entry, however, how these entry methods occur have changed. First, this thesis demonstrates that Steam, for PC games, is a primary entry method for not only foreign developers entering the Chinese market, but Chinese publishers looking to bypass SAPP's approval process. To this thesis' knowledge, digital marketplaces have received little research attention since Broekhuizen, Lampel and Rietveld (2013) discussed it as a means of artist-led

distribution. Digital marketplaces have become a lifeline to both foreign and domestic studios resisting Chinese regulations and censorship making them more important as China becomes the largest market for video games. This thesis provides industry examples of both foreign and Chinese PC video game studios operating through institutional voids by using digital marketplaces. By doing so this thesis contributes to existing institutional theory literature by Khanna and Palepu (1997), Luo and Tung (2007), and Khanna, Palepu and Sinha (2005) regarding institutional voids. Additionally, this paper recognized that developers and publishers have become reliant on using Steam to access the Chinese market. As such, this paper adds to Resource Dependency Theory by Pfeffer (1987) and Gandia and Gardet (2019).

Developers can still enter the market with Chinese publishers to be approved through the approval process. This entry method still carries the same benefits and liabilities as previously mentioned through the initial framework. What was either not discussed or made unclear in literature, is that this process cannot be initiated by anyone other than a Chinese publisher on behalf of the developer. As Chinese publishers are likely to understand what content will and will not be flagged by the SAPP, the results of this research has found that publishers often provide reports to the developers indicating the types of content that may cause problems in obtaining approval. This thesis also finds that this approval process, as discussed by Zhang (2008), is an incredibly lengthy process estimated in months, however, as noted earlier in this thesis, that a new approval process is being utilized as of December 2019, which is unmentioned in current literature.

While this is the first research to this thesis' knowledge which identifies the use of Steam as a means to bypass Chinese regulations, where the results of this thesis sheds light, is that Chinese publishers do not prioritize this process, instead, choosing to only translate a developer's game into Chinese and publish it to the market through Steam. Neither of the participants with Chinese publishers have completed the approval process, though Deck 13 is in progress. Despite China's requirements on

sales approval, Chinese publishers do not prioritize this process, seemingly more focused on sales potential than government compliance. Rather, Chinese publishers publish localized, unapproved versions of games via Steam, suggesting two theories to this author:

The first is further evidence for industry attempts to retain market independence from government involvement based on Cao and Downing (2008) and Fung (2016) who suggested that institutions do not play as strong of a role in the industry as it grew largely separate of government control rather because of it, which calls back to Cao and Downing (2008) who said executives have expressed dissatisfaction with government involvement and desire less regulation, despite their public approval. The second is that Chinese publishers are just as willing to exploit their nation's institutional voids to publish unaltered video games as foreign developers and publishers are. This is a slight departure from literature by Khanna, Palepu, and Sinha (2003) who noted that successful companies adapt to institutional voids, whereas this study finds that the video game industry in China has largely thrived because of institutional voids, rather than in spite of them, especially considering the historic pervasiveness of piracy in China.

Current research lacks details about what services Chinese publishers offer and what their expected demands are, especially given their leveraged market position as discussed by Gandia and Gardet (2019). This study finds that outside of marketing and market access, publishers offer localization services, quality assurance, and piracy consulting, including potentially paying off piracy sites from listing their games for periods of time. For these services, publishers expect a revenue sharing model which has been called *"in line with industry standards"* (Dangen, 2020). This thesis assumed that, from Gandia and Gardet (2019) that Chinese publishers would demand a more significant amount provided their exclusive capabilities of providing market access as seen by the movie industry (Grimm, 2015). This furthers the argument by Cao and Downing (2008) and Fung (2016) that the Chinese video game industry is largely

controlled by the market more than the government. Additionally, despite Gandia and Gardet's (2019) findings that IP transference is often a demand by publishers, this has not been found in this study. These findings, therefore, build onto Resource Dependency Theory literature by Gandia and Gardet (2019).

Where self-publishers struggle is marketing their games in the Chinese market. Due to the language barriers and the different media platforms used in China, it seems that the most difficult barriers to overcome in China, are not the regulatory institutions, but cultural ones.

As mentioned, this thesis provides, potentially, first of its kind research into strategies and market performance of localizations by video game developers. This thesis builds on existing theory relating to liability of foreignness as discussed by DeLange (2016), Mezias (2002), and Petersen and Pederson (2002), and Suchman (1995), providing literature on the use of localization as a form of product adaptation to overcome foreignness in psychically-distant, emerging countries to improve performance. Dong and Mangiron (2018) mentioned two limitations of their research, that localization literature lacks market performance research based on strategies, and how fan translations are received by audiences. While more quantitative data is needed, this paper begins to fill those gaps by showing that native Chinese speakers, regardless of translation professionalism, are effective and accepted translations by the Chinese audiences.

Piracy, as discussed in this thesis' initial framework, that piracy is a forced market entry in which the developer receives no benefits from (Tsotsorin, 2012). However, this thesis' finds that not only are developers unconcerned with the prevalence of piracy in the country, some have even thrived from piracy it. Running with Scissors provides evidence that piracy can be utilized for network building which has resulted in building both social capital (Coviello, 2006) and resource acquisition (Arenius,

2002). This both contradicts this thesis' initial framework, and creates an interesting nuance into Network Theory research.

6.3   Managerial Implications

This thesis offers some practical implications for video game developers around the world based on its findings. The first, being that both self-publishing and partnering with Chinese publishers can see significant success in the Chinese market.

The argument for self-publishing is that a developer will retain greater control of their intellectual property, however, they will have to overcome the language barrier, which seems to be the most common obstacle of foreignness in this study. The easiest method to do so is contracting a translation company however, there is little means to verify quality and the company may have no further incentive beyond arranged payment. However, the strategy that seems to yield the best results is using native Chinese speakers, with preference towards mainland Chinese dialects.

It should be noted that working with a Chinese publisher does not necessarily mean a loss of editorial control as using a publisher should not be equated with being approved by the government. Furthermore, the publisher will likely determine if the game is deemed appropriate for approval based on content changes that would need to be altered. In the limited findings of this study, Chinese publishers are not perceptibly different from Western publishers, though trust and mutual success should be stressed. This extends to trusting a publisher's decisions regarding their decisions to localize.

Global Steam's future in China becomes more uncertain and studios should mitigate their dependency on it to access the market by finding a Chinese partner. By having a wider network, more market knowledge can be built to make more informed decisions regarding the right fit on publishers' portfolios and not just the financial aspect.

6.4 Policy/Social Implications

Censorship in video games is a contentious issue as seen by recent media coverage related to Ubisoft and Blizzard through separate incidents related to free speech. Gamers are notoriously resistant to censorship and this study's findings indicate that games by indie developers may be more adversely affected by censorship as they have fewer resources to make a Chinese version of a game.

As such, this study finds that players globally may see their games affected by Chinese censorship in the future. Imagery changes like blood and skeletons are typically the first things that come to mind. However, developers may not pursue certain types of games, like those containing historical war creations or time travel, which would be censored in China due to the financial benefits that the market offers. This creates broader societal implications related to free speech through manufactured consent.

6.5 Limitations

While this thesis has identified methodological limitations and their compensations in its chapter, this thesis identifies that its small sample size has affected the ability to cover all elements the author wanted. While the sample size is deemed adequate for case study research, this study was unable to interview developers who had completed the approval process. As a result, experiences, localization obstacles, and other factors could not be identified related to the process. Additionally, from correspondence with various developers, it seems that publishers have much more interaction with Chinese publishers. This would be confirmed by this study, that the cases who had most to say about Chinese publishers were publishers themselves. Finally, this study did not take into consideration the impact of VPNs or jailbroken consoles, which are popular means to bypass Chinese internet regulations. Finally, as the author's only fluent language is English, this limited the ability to not only obtain research from China, but also to contact developers in Asia adequately.

6.6 Opportunities for Future Research

The topic of video games creates a unique challenge for researchers, which operates with their own technology, vocabulary, and culture. Video games cross several disciplinary fields including computer science, arts and humanities, linguistics, political science, and business that can act as an intimidating barrier for the uninitiated. This thesis will focus on more business relevant future research, however, the results of this study have broader implications across various disciplines.

Due to its exploratory nature and the lack of research into the topic, more questions have been created than answered. As shown below, the chart provides estimated sales in China compared to total sales of each studio. While this is not enough to make any conclusions based on strategy, it creates a starting point for further quantitative research into market entry and localization strategies on market performance.

Table 3: Comparison of Publishers, Localization Strategy, and % of Sales

Developer	Publisher	Localization	% of CN Sales
Deck 13	Yes	Publisher	5-15%*
Might and Delight	No	Translation Company	<1%
Running with Scissors	No	Translation Company + Native Chinese speakers	8%
Developer UK	No	Native Chinese Volunteers	24%
Dangen	Yes	Publisher	10-15%*

*Used typical sales range provided by developer. Source: Own. From Results

Future studies can expand on Gandia and Gardet's (2019) research of Chinese publishers in a more comprehensive and quantitative method, using data gained from this survey to direct research regarding revenue splits of PC games vs console games. If Steam does become unavailable to the Chinese market, a longitudinal study showing how market dynamics and position affect revenue sharing in the industry. As this study focuses on PC games, a complementary study focusing on the console game industry

or mobile game industry could be conducted to compare and contrast to this study's findings as both platforms do not have the same voids discussed in this study.

This study noted that developers use content creators on social networking and live-streaming sites to market their game and show off its quality to a wider audience. Additionally, piracy has been noted to be the effect of people just looking to test out games for themselves. Therefore, an interesting research topic is to find out how sites like YouTube and Twitch affect the proliferation of "pragmatic piracy".

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Appendix A: Interview Guide

1. How many work at your company?
   a. How many are non-administration positions?
2. Do you have any sales in China? If yes, what percent of sales come from China?
3. What platforms and marketplaces are you on globally? in China?
   a. Why enter on those?
   b. How have Chinese regulations and approvals processes affected your decision?
   c. Does piracy play any part in your decision to enter the market?
4. Do you have a Chinese publisher? If yes, how did you find them?
   a. What benefits does a Chinese publisher offer? What are their demands?
   b. How do they compare to publishers from Western countries?
5. What have been the biggest challenges to market entry in China?
6. How has the Chinese approval process affected the development of a game?
7. Have you published your games under the old and new systems?
   a. What has gotten better under the new system? What is worse?
   b. How have these changes affected the way you localize for China?
8. How has your Chinese publisher helped you with navigating the approval process?
9. How do you conduct localization of your game for the Chinese market?
   a. How has the approval process in China affected localization for China?
   b. Do you take the approval process into consideration when planning the global game?
10. If you are publishing on [digital marketplace], do you partner with a Chinese publisher for localization if you are not going to go through approval? Why or why not?
11. Have you altered assets for the Chinese market outside of text?
    a. What have you changed?
    b. How often are these localized versions updated vs the global version?
12. How much time does localizing a game take?
    a. Do you have a measurement for determining if you should localize?
13. Does your digital marketplace version differ from the Chinese approved version?
    a. Why or why not?
    b. What are your contingency plans for if/when China cracks down on these digital stores?
14. Have you taken into account Chinese culture, tastes, or other preferences into account when localizing your game for China?
    a. If so, what did you change? How did it affect the game?
    b. How does the requirement for anti-addiction measures affect localization?
15. What means do you have at your disposal to avoid piracy in China?
    a. If there are any, how have they been effective?
    b. Have you ever heard of publishers buying off pirates to not list a game?

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Appendix B: Coding Table

1st Theme Code	2nd Them Code	Literature Concept
Publishing Method	Publishing Method	Born Globals/INV/RDT
Benefits of Publishers	Publisher Experience	Outsidership/Network Theory
Publisher Control	Networks	Network Theory
Networks	Trust	Liability of Outsidership
Trust	Revenue Share	RDT
Revenue Share	Steam Closure	RDT
Steam Closure	Approval Process	Institution Theory
Approval Process	Translation Method	Localization
Translation Method	Publisher Costs	RDT
Publisher Costs	Censorship	Institution Theory
Censorship	Localization Problems	Foreignness/Localization
Localization Problems	Outcomes of Localization	Foreignness/Localization
Outcomes of Localization	Attitude Towards Piracy	Institution Theory
Monetization Model	Countering Piracy	Institution Theory
Attitude Towards Piracy		
Countering Piracy		
Benefits of Piracy		
Approached by Publishers		
Community Engagement		