CREATING A FRAMEWORK OF CHINA STRATEGY

Case: City of Kemi

Kulju, Hilkka
Kittilä, Petri

LAPIN AMK
Lapland University of Applied Sciences

Opinnäytetyön tiivistelmä

Kaupan ja kulttuurin koulutusalan
International Business Management
Tradenomi (YAMK)

Tämän opinnäytetyön toimeksiantajana oli Kemin kaupunki. Opinnäytetyön tavoitteena oli luoda Kemin kaupungille Kiina-strategian viitekehys tutkimalla ja analysoimalla Kiinan globalisaatio suunnitelmaa, sen mahdollisia vaikutuksia Kemiin ja sitä, miten Kemi hyötyy näistä mahdollisuuksista. Lisäksi opinnäytetyö tutkii Kemin kaupungin johdon kokemuksia yhteistyöstä kiinalaisten kanssa ja tarjoaa suosituksia yhteistyön tiivistämisestä.

Tämän kvalitatiivisen tapaustutkimuksen tiedot kerättiin tekemällä puolistrukturoidut teemahaastattelut kaupunginjohtajan ja tapaus organisaation hallinnollisen sihteerin kanssa. Tutkimusmenetelmää täydentävät tutkijoiden todelliset havainnot Kiinassa ja Suomessa. Tutkimuksen teoreettinen viitekehys perustuu kiinalaiseen kulttuuriin, kiinalaiseen strategiseen ajatteluun, verkostoitumiseen ja suhteiden hallintaa koskeviin teorioihin, jotka vaikuttavat organisaation välisten suhteiden hallintaan. Lisäksi teoreettinen viitekehys perustuu kulttuurien erilaisuuden vertailuun kiinalaisessa ja suomalaisessa liike-elämä kulttuurissa.

Tutkimuksen tulokset antavat tietoa puiteprosessista ja Kiina-strategian luomisesta organisaatiolle, joka aikoo tehdä yhteistyötä tai on jo yhteistyössä kiinalaisten organisaatioiden ja liikeyritysten kanssa. Tapausorganisaation haastatteluiden ja kirjallisuudesta tehtyjen havaintojen pohjalta voidaan osoittaa, minkälainen viitekehys olisi suositeltavin Kemin Kiina-strategialle.

Avainsanat   Kiina, kiinalainen strateginen ajattelu, strategia, Belt and Road, kulttuurierot

The commissioner of this study was the City of Kemi, Finland. The objective of this thesis research was to create the framework of China Strategy for Kemi by researching and analysing China's globalization plan, its potential impact on Kemi and how Kemi would benefit from these opportunities. Besides, this thesis research examines the experiences of Kemi's management in co-operation with the Chinese, and through it prepares recommendations for how co-operation can be intensified.

The data for this qualitative case study was gathered by conducting semi-structured theme interviews with the Mayor and the Administrative Secretary of the case organization. The research method was complemented by the researchers' actual observations in China and Finland. The theoretical framework of the study draws from theories of Chinese culture, Chinese strategic thinking, networking, and relationship management with modifications of inter-organizational relationship management approach. Furthermore, the theoretical framework is based on comparisons of cultural dissimilarities in Chinese and Finnish business culture.

The results of the research provide insights into the framework process of creating a China Strategy for an organization which is planning to cooperate or is already cooperating with Chinese organizations. Findings from the case organization interviews, literature and the research results form a unique framework for the China Strategy recommended for the City of Kemi.

Key words   China, Chinese strategic thinking, strategy, Belt and Road, cultural differences

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ABSTRACT

FOREWORD

ABBREVIATIONS

FOREWORD

We would first like to thank our case organization the City of Kemi and Mayor of Kemi, Mr. Tero Nissinen for the commission as well as Mayor Nissinen´s constant support and enthusiasm towards our research.

We sincerely thank our thesis supervisor Senior Lecturer Teresa Chen of the Lapland University of Applied Sciences for steering us into the right direction as well as her constant support and valuable comments on this thesis.

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ABBREVIATIONS

OFDI	Outward Foreign Direct Investment
SME	Small and Medium-sized Enterprise
MNE	Multinational Enterprise
i.e.	that is
CEO	Chief Executive Office
EU	European Union
B&R	Belt and Road, refers to Belt and Road initiative of People's Republic of China
R&D	Research and Development
SWOT	Strengths, Weaknesses, Opportunities, Threats. Refers to SWOT analysis
TOWS	Threats, Opportunities, Weaknesses, Strengths
US	United States
USA	The United States of America
PRC	The People's Republic of China

1   INTRODUCTION

One of the most significant biorefining provider in China, Sunshine Kaidi New Energy Group Co. Ltd. (hereinafter Kaidi), was commissioned to manage and construct a globally unique second-generation biofuel refinery in the City of Kemi (hereinafter Kemi), Finland (Kaidi 2017). Kaidi offers a unique opportunity for Kemi to co-operate with.

In today´s globalized world it is no longer a question whether Kemi should co-operate with the Chinese. Instead, it is a question of identifying appropriate objectives, thematic areas, actors and co-operation mechanisms so that it would benefit the Kemi region. Therefore, this Master Thesis research focused on exploiting the opportunities that arise from cooperation with Chinese counterparts, setting out a systematic approach to tackling the challenges and risks involved. The principle guideline of our Thesis research was to provide a framework within which Kemi´s co-operation with Chinese focuses on the strategic interests of Kemi.

This research defines the co-operation between Kaidi and the City of Wuhan and Kemi as relationship management. The Thesis develops a framework for the strategic planning of relationship management for Kemi to promote Kemi´s capability as a partner with Chinese, to boost Kemi´s activity to build a trade and investment framework for businesses as well as to strengthen and support existing co-operation between Kemi and the City of Wuhan and refocus the resources of Kemi to support the strategy.

The theoretical foundation for this work is built around the Chinese globalization strategy, relationship management, intercultural interaction, and a strategy creation. The approach is in the context of China´s internationalization policies, foreign investments and the opportunities arisen through co-operation with Chinese from the Kemi´s point of view. Used abbreviations of the words and terms are indicated when the new term or concept appears in the text.

The research was conducted as a qualitative case study research. Used research methods were the semi-structured individual theme interviews, theories of co-operative strategy, Chinese strategies, relationship management and inter-organizational relationship and the participatory observation of both researchers. This thesis research revealed the internationalization process of Chinese firms, which focuses on significant aspects such as involvement in industries in developed countries, perceived location advantages, and the substantial role of the Government of People's Republic of China intervention. Furthermore, findings indicate the importance of cross-cultural awareness, especially in the process of interaction and communication.

The outlines of this Thesis research were defined and agreed in a commission between the Kemi and the researchers.

1.1   Introduction of the Commissioner

Kemi locates in the province of Lapland, at the delta of the Kemijoki River. In May 2017 Kemi had 21 479 inhabitants and covered an area of 747.28 km². Kemi is the smallest in the area but most populated in the province of Lapland. Kemi is the third largest municipality in Lapland in its population. Kemi is still known as the traditional industrial city, and the largest private employers in the town are Stora Enso Veitsiluoto paper mill and the wood processing industry of Metsä Fibre, and Metsä Wood in Karihaara. An essential industrial employer is also Kemi 's chromium mine owned by Outokumpu Chrome, located in Elijärvi, Keminmaa. Because of its high industrial history, Kemi has a robust left-wing tradition. In recent years, Kemi has raised its profile in the tourism industry. It has also developed a versatile range of education in its area. (Kemi 2017.)

As a municipality, Kemi is a public sector organization and cannot operate as a business organization. Its primary task is to provide attractive environment and infrastructure to new businesses. Therefore, Kemi strives to make the city an increasingly vibrant, active, and favourable environment for existing and new business ventures. Kemi provides business and growth development services, business environment development, marketing, and event production. Customers of Kemi are mainly companies, entrepreneurs, event organizers, as

well as people interested in entrepreneurship. Through these services, Kemi aims to assist start-up entrepreneurs, development of existing businesses and seek appropriate business facilities. (Kemi 2017.) 2025 vision of Kemi describes the city as a leading and active service organizer, as well as a vibrant and creative urban area (Kaupunginvaltuusto 2013,3).

Kemi is actively seeking new businesses, entrepreneurs, and other vital factors for its development. The vision and strategy of Kemi define its strengths including an excellent logistics location close to the Swedish border. Kemi is the regional logistic crossroad of northern Finland with all the essential channels i.e. airport, railways, harbour, and freeways, which meet each other in Kemi before they deploy elsewhere in North. (Kemi 2017.) EU has also notified that Finnish traffic core network goes through Kemi (Kemin kaupunki 2012, 13).

1.2 Background and Motivation

For China, internationalization and Belt and Road (hereinafter B&R) is a strategic gateway to the global markets. Finland as a part of Europe forms one of the largest consumers markets in the world. For Chinese, Kemi provides accessibility to the European distribution and logistics network and excellent infrastructure. Finland is also able to give a politically stable economy and an international business environment. (Shambaugh 2016, 13.) To her advantage Finland has high innovation and R&D and through EU offers comprehensive, stable financial sector support for businesses. Finland can also provide a high-quality of life to her expatriates. As a major manufacturer of consumer durables, by setting up business operations in one of the EU countries, China has the unique advantage of tapping into one of the world's largest markets to sell its consumer goods globally. (Shambaugh 2016, 13.)

In 2016, one of the most significant Chinese biorefining supplier established Sunshine Kaidi Finland New Energy Co. Ltd (hereinafter Kaidi) was commissioned to manage and construct a biofuel refinery in Kemi, Finland. Inspired and motivated by this excellent opportunity to combine the ongoing Master studies as well as the expertise of the both researchers in the form of Master Thesis research. Since the both researchers have substantial hands-on

experience in China, Chinese culture and business strategies, the Mayor of Kemi, Tero Nissinen, was contacted. Mayor Nissinen (2017a) indicated that Kemi is in urgent need of China Strategy to better serve the local business environment and to utilize Chinese co-operation. He stressed out that now is the right time to create the China Strategy for Kemi since the process of making a new City Strategy has been started.

Mayor Nissinen (2017b) emphasizes the importance of co-operation with the Chinese as well as an understanding of Chinese culture and their business strategies to comprehend the possible challenges of diverse and unique features of Chinese culture that Kemi might encounter. He also pointed that the mutual understanding reveals the possibilities of Chinese markets, opened for the local entrepreneurs by B&R. This Thesis research is commissioned by Kemi and is following and fulfilling the framework given by Mayor Nissinen. As also demanded in the commission, the framework of the China Strategy for Kemi must deal with cultural differences and the background of Chinese business strategies as widely as possible.

The three primary strategic goals of the new City Strategy are the promotion of prosperity and health, a balanced economy as well as the development of vitality. As agreed in the commission, this thesis research will build up the framework of the China Strategy for Kemi. The framework of the China Strategy for Kemi will be linked to the advancement of vitality strategy. (Nissinen 2017b.) The city has also expressed hope that after the Thesis research is completed and the framework for the China Strategy of Kemi has been created, the researchers will continue to co-operate with Kemi to formulate the actual strategy as members of the Strategic work group. The researchers would be expert members of the Strategic work group. (Nissinen 2017b.)

1.3   Research Objectives and Research Questions

This Master Thesis research aspires to create the framework for the China Strategy for Kemi by researching and analysing China's globalization plan, its potential impact on Kemi and how Kemi can take advantage of these opportunities. Besides, this Thesis examines the experiences of Kemi's

management in co-operation with the Chinese, and through it prepares recommendations for the China Strategy on how co-operation can deepen. The research questions are as follows.

RQ 1. How do the staff and administration of Kemi communicate with the Chinese co-operation partners? How could the communication be improved? What are the challenges?

This research question investigates the means and intensity of interaction and communication. It also identifies the possible obstacles which occur during either action such as misunderstandings and cultural differences. It also reveals the challenges the employees of Kemi might face during the interaction or communication.

RQ 2. How do the vision and strategy of Kemi meet the expectations of Chinese companies' internationalisation plans? Why would Chinese companies be interested in investing to Kemi?

This research question gives an answer how to identify the benefits and risks which are essential for Kemi to be aware of while co-operating with Chinese companies and government. Furthermore, this research question identifies the pull factors of Kemi relevant for Chinese companies' globalization strategies. The outcomes of this research question increase the awareness of Kemi´s management about Chinese business practices and policies and provide them a broader perspective why Chinese companies are interested in investing in Kemi region.

RQ 3. What is the awareness level of management of Kemi concerning the B&R initiative?

What are the actual benefits of B&R to Kemi and the region? Could these benefits be achieved through co-operation and existing   relationships?

The outcome of the three integrated questions under RQ 3 should be the identification of opportunities and threats relevant to Chinese investments in Kemi region. Furthermore, through the SWOT and TOWS analyses conducted

in this Thesis research, the outcome should provide a development proposal with the set of recommendations on how to attract Chinese investments.

1.4   Qualitative Research and Research Methods

This Thesis research draws from the qualitative research methods which assist the researchers in interpreting the societal and cultural settings within which people exist as well as their communication and activities. For the purposes of this research, it is relevant to use qualitative research approaches since this work researches a municipality organization, i.e. Kemi. Qualitative research is best when more profound studies will be conveyed entirely in one or few organizations. Furthermore, qualitative research is also ideal for empirical research when the theme is either new or not previously published research on that topic cannot be found. Qualitative research is widely applied when analysing the social, ethnic, and political facets of people and systems. (Myers 2013, 9.) As stated, a significant disadvantage of qualitative research is its abstraction to a larger population. Nonetheless, Myers (2013, 9) emphasizes that the generalization can be drawn through the theory and likewise it can be managed from just one case study. Therefore, this research method is most suitable concerning the requirements set in a commission agreement and the commissioner's requirements for the work.

In a discipline of business surveys, case study research uses reasonable evidence from actual people in existing real organizations. The focal point is on finding answers to how and why questions. The key defining feature of a case study is the subject of concern, and the researchers sought to understand how and why a particular business decision was made. (Myers 2013, 73 – 78.) In international or cross-cultural research, it is exceedingly significant to interpret and reason out the aspect of cultural differences. Likewise, it is crucial to predicting the impact of the local cultures. (Ghauri & Grønhaug 2005, 32.)

1.4.1   Collecting and Analysing Data

This thesis research used interviews as a data collection technique. Interviews were used since they are one of the most significant information gathering techniques for qualitative research in business and management. Interviews

apply rich data to the research from people in various roles and situations. This form of primary data adds credibility to the qualitative research, hence to its unique nature to that specific event. (Myers 2013, 137.)

The major limitation of this research is that only two persons from the organization of Kemi participated in this semistructured individual theme interview. The interviewees' level of co-operating with Chinese partners was unbalanced. Therefore, principally Mayor Nissinen's replies were analysed. The Administrative Secretary was not able to answer all of our interview questions. The reason is that her involvement in co-operation is less frequent than the Mayor's and some of her answers may have been based on assumptions or observations. Her answers were analysed from the parts of her expertise experiences and observations related to the interview questions.

Semi-structured interviews provide the researchers some framework while allowing room for improvisation. Semi-structured interviews try to blend the best of structured and unstructured interviews while lessening the hazards. It allows the interviewee the opportunity to add essential insights as they might arise during the conversation. At the same time, previously prepared questions will facilitate the researcher to hold the focus. (Myers 2013, 137.)

The empirical data of this Thesis is limited since in the organization of Kemi there are only two persons who are involved in cooperation with Chinese. Mayor Nissinen is the only person who has enough information to be able to give answers to our research questions. The Administrative Secretary was interviewed since she is participating the communication related to visits and events. There were other interviews planned to be conducted, but those interviewees informed that they did not have enough expertise to add any significant value to our research. For this reason, they did not take part in the research.

Morals and proper standards impact the work of the researchers and behaviours of their exercises. Research ethics require informed consent and anonymity. Researchers also have an ethical duty to disclose and discover answers to their inquiries sincerely and precisely. The qualities of the utilized techniques and models must appear, yet moreover, the shortcomings and

dependability of the outcomes should also be uncovered. (Ghauri and Grønhaug 2005, 20 - 21.)

1.5   Structure of the Thesis

This Thesis is divided into seven chapters. In chapter two the theoretical knowledge of the Chinese globalization strategy is presented. The Chinese globalization strategy is discussed and reflected from the historical perspective until to implication of present-day Belt and Road initiative strategy. Also in this chapter, the framework of Chinese business culture and strategic thinking is introduced and discussed. Finally, in this chapter, the B&R's strategic impact on Kemi is discussed. Chapter three proposes a theoretical model of cooperative strategy from the relationship management and inter-organizational relationship perspective which is suggested to be used as a base when the framework of the China Strategy for Kemi is created. In chapter four, as requested in commission agreement, the unique features of Chinese culture compared to Finnish culture and hence with the Kemi is explained with the intercultural interaction framework. In chapter five a chosen research method of this Master's Thesis is presented and justified. Furthermore, the analyses and results of the semi-structured theme interviews conducted in Kemi, theoretical findings as well as the interviewers' actual personal observation in China and Finland are presented. Chapter six introduces the process of how a framework of the China Strategy for Kemi is created. In chapter seven the conclusions and considerations of the conducted research, as well as the Framework of the China Strategy for Kemi, is shown.

2   CHINA GLOBALIZATION STRATEGY

The start of China's new long-march in 1978 was acknowledged in several research when the leader of China, Deng Xiaoping launched the reform and opening-up of China to the world policy (Li & Pu 2012; Paulson; Shambaugh 2013; Jacques 2012). Deng's pragmatic way of thinking and his practical strategy was necessary for China's development and subsequent growth as an important economic superpower. The new approach made possible for foreign companies to enter improved manners into the Chinese markets by using foreign direct investments. Through this strategy, China slowly by slowly received foreign currencies and naturally also new western technology. All of this has led to that China launched in 2001 a large-scale implementation of the Going Global strategy, which encourages businesses to go international. Now, this new long-march path has reached a stage when Chinese companies are internationalizing and globalizing their operations. In this way, China has created the concept of China's Peaceful Development and Harmonious World policy.

Pragmatic strategic thinking, based on the teachings of Confucius and Deng. Deng returned the strategic way of thinking back to the Chinese leadership practices. He understood that for China it is essential to learn the western way of thinking about the market economy. Therefore, for example in 1980's Chinese students were encouraged to go to the USA to study and to learn from the Western capitalist way of thinking. (Jacques 2012, 178 – 179; Wang & Chee 2011, 23.) Kissinger (2012) reminds that China does not consider itself to be as a rising power, but as a returning power. This point of view is visible on some new global projects China is running and orchestrating at the moment. For example, the new geopolitical paradigm combines the historical greatness of the China in a New Silk Road project. The New Silk Road project will strive to increase China's global power. On the first hand, China is seeking to conquer the world with soft values and on the other hand using its position as an economic superpower by funding of such an extensive logistical network along the ancient Silk Road routes. (Kissinger, 2012; Shepard, 2016; Li, 2016.) Some of the issues above, will be discussed more widely later in this chapter.

Figure 1 visualizes diverse dimensions of China's globalization strategy.

Diverse dimensions of China's globalization strategy

China's globalization strategy

INVESTMENTS
- AIIB
- Belt and Road Initiative
- BRICS Bank
- IFDI and OFDI
- Infrastructure

TRADE
- Go Out Policy
- Strategic M&A Transactions
- Chinese One World Companies
- Market Economy Status in WTO

COMMUNICATIONS
- Soft-power
- Harmony and Stability
- Confucius Institutes
- Global Media Stations
- Internet and Social media

KNOWLEDGE BASED ECONOMY

Figure 1. Diverse dimensions of China's globalization strategy

In Figure 1 various dimensions of the China's globalization strategy is described with the forces of investments, trade, and communication. Each power is also explained by describing China's relevant channels of influence and forms in its globalization goals. An economic value to businesses and country itself can be created and distributed from the acquired knowledge. Due to this, managers require communication, technology, and investment networks. The final goal of China in the 21st century is to create the knowledge-based economy. (Tse 2010, 128-129, 134.) In its globalization strategy, China has put lots of efforts into European markets. Le Corre and Sepulchre (2016) explains that size of the European and EU markets is huge and provide the best potential option for Chinese businesses mergers and acquisitions approach as well as product exports. Le Corre and Sepulchre (2016) also remind that Chinese economic investments have been desired after the 2008 financial crisis in Europe. Furthermore, European and EU markets do not have so many restrictions as on US markets, and Chinese Outward Foreign Direct Investments, (hereinafter OFDIs) are less politicized in Europe than in the USA. Furthermore, Europe does not have similar national security review process for Chinese investments

as the USA has. (Le Corre & Sepulchre 2016.) Le Corre and Sepulcher (2016) indicate there are two main reasons for Chinese businesses to enter the European markets with OFDIs. First is to move up in the value chain and the second one is the acquisition of technology.

2.1 Belt and Road - B&R

During the Han dynasty, the ancient Silk Road was a trade route from China to Roman empire. It had an enormous impact on shaping the politics, cultures, and economies of the societies, which belonged to its influence area. The ancient Silk Road had a high effect on the Eurasian continent since 138 BC until the 16th century when it finally eclipsed. (Griffiths 2017, 1-3.)

The Silk Road Spirit - combining peace and co-operation, receptivity and co-partnership mutual learning as well as the shared benefit - has been joining peoples and nations for thousands of years. In today's global context this Silk Road Spirit is more relevant and essential than earlier. In fall 2013 president Xi of the People's Republic of.China gave two speeches which signalled a new direction in China's foreign policy. (National Development and Reform Commission 2015; Griffiths 2017, 1-3.)

The goal of the project is to create an economic co-operation area with a multidimensional win-win situation together with the project participants, naturally with the Chinese financial support and leadership. (Griffiths 2017, 1-7.) Belt and Road initiative consists of two different routes that interconnect and supports each other; Belt refers to land-route, which is called Silk Road Economic Belt, SREB. Road part relates to ocean-routes which are known as Maritime Silk Road, MSR, also known by another name, 21st Century Maritime Silk Road. (National Development and Reform Commission 2015.)

Belt and Road initiative covers around 65 countries which are at present the area of the ancient Silk Road. China is not willing to limit the cooperation only to these countries. Instead, the B&R is an open platform for all countries and organizations which are interested in having an engagement with the initiative. (Chin & He 2016, 1, 4.) Even though archaeological findings have been able to estimate the ancient Silk Road routes from Asia to Europe, today's initiative is

considering more economic issues. Therefore, financial planners of the action have suggested five different ways for B&R. These trails will form a base for six planned Economic corridors, which are visible on the map in Figure 2. (Xinhuanet 2017a.)
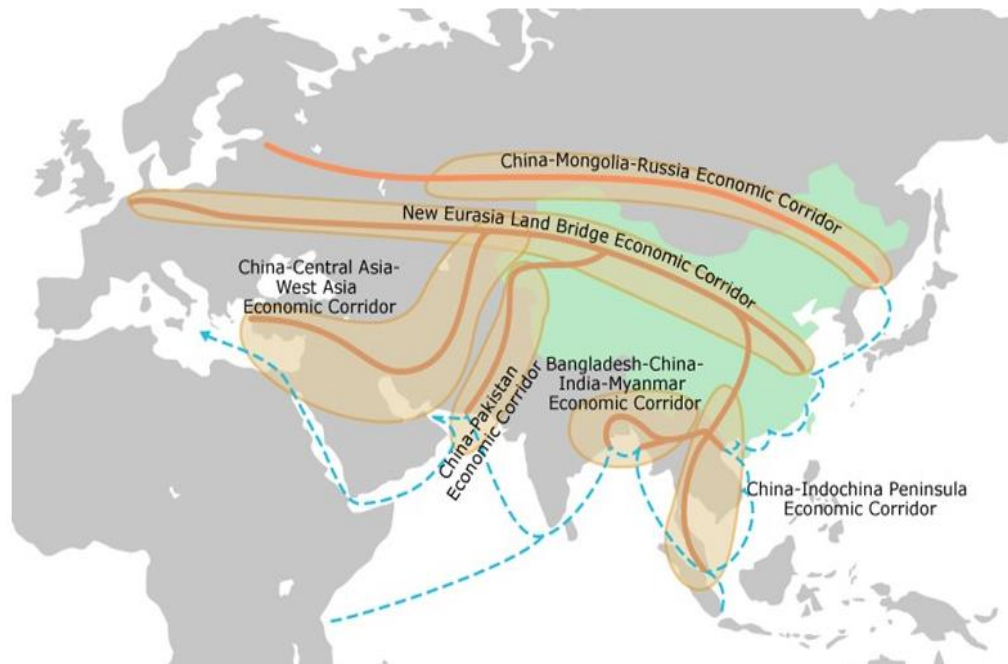
Figure 2. The Belt and Road Initiative economic corridors - Asia, Europe, Africa (Xinhuanet 2017a)

As is seen in Figure 2, at least one or two of these corridors could have a straight connection to the Arctic passage. The Arctic Corridor is a project to promote the building of an Arctic Railway connection between Rovaniemi, Finland and Kirkenes, Norway. When finished, the Arctic Corridor will connect the Baltic Sea region to the Arctic Ocean and Northern Sea Route. The Arctic Corridor will benefit economically European countries, including Finland, Norway, and north-western Russia. (Karijord 2017; Staalesen 2014; Region of Northern Lapland 2014.) Since Kemi has the only harbor in Lapland, it has an excellent opportunity to benefit from sea transport coming from elsewhere in Europe. The planned Arctic Railway route and other alternative Arctic Corridor routes are presented on a map in Figure 3.

Figure 3. Map of Arctic Railway and Arctic Corridor (Region of Northern Lapland 2014)

In June 2017, the Chinese government National Development and Reform Commission announced that they would add another route to the first three blue passages, i.e. the Maritime Silk Road routes. The new blue passage is Arctic Ocean passage. (Suokas 2017; Xinhuanet 2017b.) This new passage will strategically connect above discussed and in Figure 3 described the Arctic Corridor to other B&R European routes

2.2   Chinese Strategic Thinking – Framework of China's Business Culture

According to Fang (1999, 66 – 69), Chinese business culture, and Chinese business strategic thinking is influenced by three fundamental forces. From the business strategy point of view the most significant effect, and which have the most impact on business strategy, is the Characteristics of the People´s Republic of China. These features cover all the policies, regulations and

features set by the government of the People's Republic of China. The other two forces, Confucianism, and Chinese stratagems are the more philosophical base. The Figure 4 describes the theoretical framework of Chinese Business Culture.
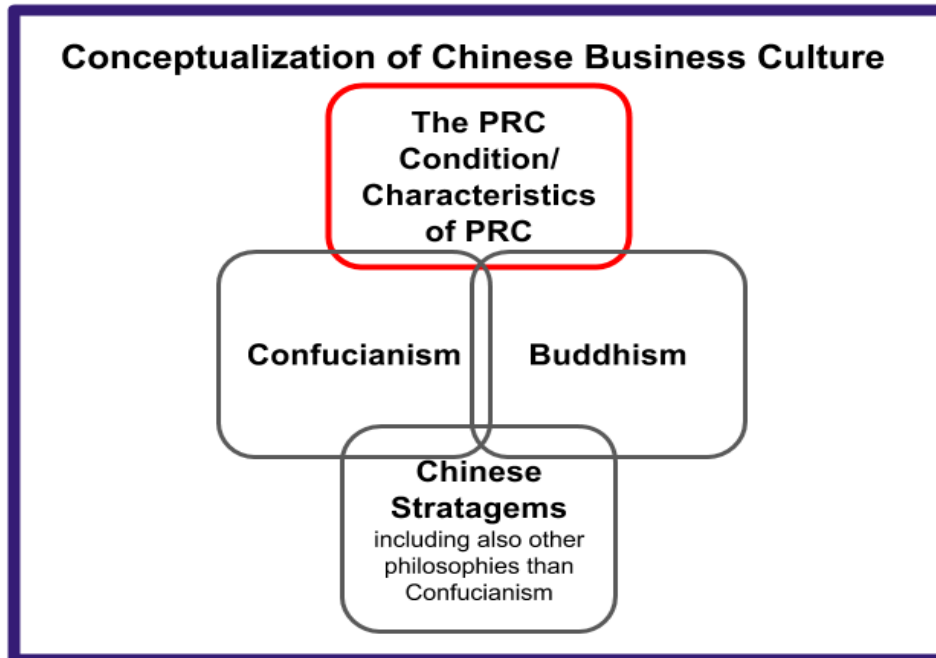
Figure 4. Theoretical framework of Chinese Business Culture (Fang 1999, 67; Pérez-Cerezo 2013, 1-3,21-22)

Pérez-Cerezo (2013, 1-3,21-22) Kallio (2016, 20, 21) explains the forces that constitute the essence of Chinese culture are more based on traditional Tang dynasty culture. It includes Confucianism, Daoism, and Buddhism which are known as the Three Doctrines. Even though Fang's framework of the Chinese stratagems includes all the other philosophies except Confucianism, Buddhism remains the only religion-based one. Therefore. it has been brought up here as a separate factor and shown in Figure 4 as a fourth force.

Fang (1999, 27, 66 – 69) and Yan (2011, 110-112, 137) stresses the influence of Ancient Chinese schemes as a basis of the Chinese strategic thinking. Instead, Confucianism refers to values and norms that still have a strong impact on all aspects of Chinese society and everyday life. Since these two are based on old Chinese philosophies and thought patterns, they are also more

susceptible to external influences and changes. (Fang 1999, 22, 27; Ding & Xu 2015, 55; Yan 2011,137; Wang & Chee 2011, 10, 15; Kallio 2016, 20, 21.)

In this framework, the term Confucianism not only refers to thoughts of Confucius but also includes ideas of the Mencius and neo-Confucianism. (Fang 1999, 69.) Chinese stratagems have reference to Militarism aspects too, as well as the principles of YingYang and WuWei, i.e. non-action or non-interference in the Taoist philosophy. (Fang 1999, 167, 175.) In the western world, the best known and most used in business context stratagem writing is Sun Tzu's Art of War. Furthermore, the Thirty-Six Stratagems by an anonymous writer is as famous as Sun Tzu's work. Since both are military strategies, these ancient literary works to support and reinforce each other. The underlying idea of ancient Chinese military strategies is to win the battle without a fight by deceiving and using psychological power instead of physical force. Therefore, Chinese business strategists include intelligence, acquiring and gathering of all the information available from the counterparties. For them, knowledge is power. Often, Western partners are in a hurry to get an agreement, while the Chinese side can play with time and benefit from this situation. Sun Tzu's Art of War can be seen as Chinese model of competition and in this way equals Porter's five forces of competition in western business strategy thinking. (Fang 1999, 155-156, 163-165; Wang & Chee 2011, 14, 44, 138-144.)

According to Liu (2009, xiv, 87), Chinese society follows the doctrines of Confucianism in working life and social encounters. However, the guidelines of Taoism rules during the leisure and the policies follow the stratagem teachings. Westerners tend to have what and how approach, whereas Chinese implement a cause seeking why mindset. To fully understand and penetrate Chinese business and strategic thinking, western people should be able to adapt Chinese mindset. (Liu 2009, xii-xiv.)

When discussing the differences in Chinese culture compared to those with the Western, in Western discussions the Confucianism and other philosophical thoughts and stratagems are emphasized. Almost entirely forgotten is the one factor which has had its ultimate effect on Chinese mindset. This factor has

shaped the entire Chinese culture for nearly 4000 years. That is the language and especially written language. Chinese language characters are images, i.e. pictograms whereas the Indo-European languages are alphabet-based. The result of this linguistic difference is that the Chinese are prone to imaginative thinking, while Westerners think more abstractly. Furthermore because of this imaginative way of thinking, Chinese tend to be less analytical and less detail oriented. Since the Chinese writing system is characterized by persistence, slow to respond to changes and accept them as well as poorly receptive to new words, it has shaped the Chinese culture and mindset towards the same way. Concrete and corporeal patterns of the Chinese pictograms have led the Chinese way of thinking towards pragmatism and art, but not science. Flexibility, adaptability, openness, and absorptiveness of the Western mindset are due to linguistic factors. These characteristics have shaped and are still shaping Western cultures. (Liu 2009, 26 - 36.) Due to the aforementioned linguistic differences, there is a significant distinction between the logical thinking of Chinese and Finnish. Therefore, to succeed in co-operation with the Chinese, it would be important to get into the Chinese way of thinking by learning or at least gaining some knowledge of the Chinese language.

Today, Chinese authorities are supporting the implication of Confucianism due the primary goal of doctrines is the harmony of society, respect for authorities and promoting unaggressive behaviour. (Liu 2009, 38, 45-46; Ding & Xu 2015, 51; Jacques 2012, 274; Kallio 2016 17, 20.) China is eager to implicate these doctrines and values to the foreign cultures by establishing Confucius Institutes, 孔子学院, globally. Confucius Institutes promote Chinese culture and language as well as stimulate business cooperation and partnerships. These non-profit Institutes are affiliated with the Ministry of Education of the People's Republic of China and important way to promote the Chinese soft-power initiative strategy. (Brown 2014; Jacques 2012, 274, 543-544, 611; Sahlins 2013; Shambaugh 2013, 246-247.) As one part of implementing its globalization soft-power strategy, in 2009 China launched media stations all over the western world. The primary goal of these stations was and still is to provide varied and accurate information about China and its culture. In May 2009, the radio channel Radio86, which focuses on promoting Chinese culture, was also launched in

Finland. In 2012 Radio86 was renamed as Gbtimes Digital Ltd. and is now producing and delivering content over all media platforms. (Tse 2010, 128; Digita 2009; Gbtimes 2017.)

China's political leadership's mission is to create a new strategic chronicle, which illustrates the rise of China as a leading but nonviolent world power. Strategic descriptions are needed to reveal it both to the Chinese as well as globally, what is China´s vision, mission and the expected objectives in the future. An essential part of this strategic chronicle is the outlining of Chinese heritage. It involves the emergence of political doctrine, meaning, how the values of Chinese traditional teachings have recently been considered as the core of Chinese. According to Kallio´s research (2016, 5 – 6), the Chinese leadership is using the quotations from classical Chinese texts as a tool, only to emphasize the values of traditional teachings that serve its interests. Among such values comprise the obedience prevailed by the Confucianism. Kallio (2016, 5 – 6) is also questioning the historical truthfulness of the narrative which was used to shape the national identity of China. The conclusion of Kallio (2016, 5 – 6) defines that although the Chinese leadership states to hold traditional teachings in high esteem, still it is not prepared to substitute the doctrine of the Communist Party in any definite way. In addition to defining the core of Chinese, the new strategic chronicler should reinforce the control of the party as the defender of China's national harmony and integrity.

Even though the Chinese theory of international politics has not yet emerged, the worldview of traditional doctrines is already exposed in the public speaking of party leadership. It emphasizes the unique features of Chinese history and folklore, which may question the predominance and prevalence of values and the west orientated international systems. Kallio (2016, 5 – 6) argues that the current top-down tradition of returning power may lead to the development of a modern inherent value system, which can be redirected throughout the whole Chinese society, for example, in the legal culture. Without the knowledge of historical and cultural processes, it is impossible to understand and interpret the evolution of Chinese society and politics, which of course will influence the international co-operation.

Figure 5 portrays the essential teachings of the Confucianism which influence most on Chinese thinking and behaviour.
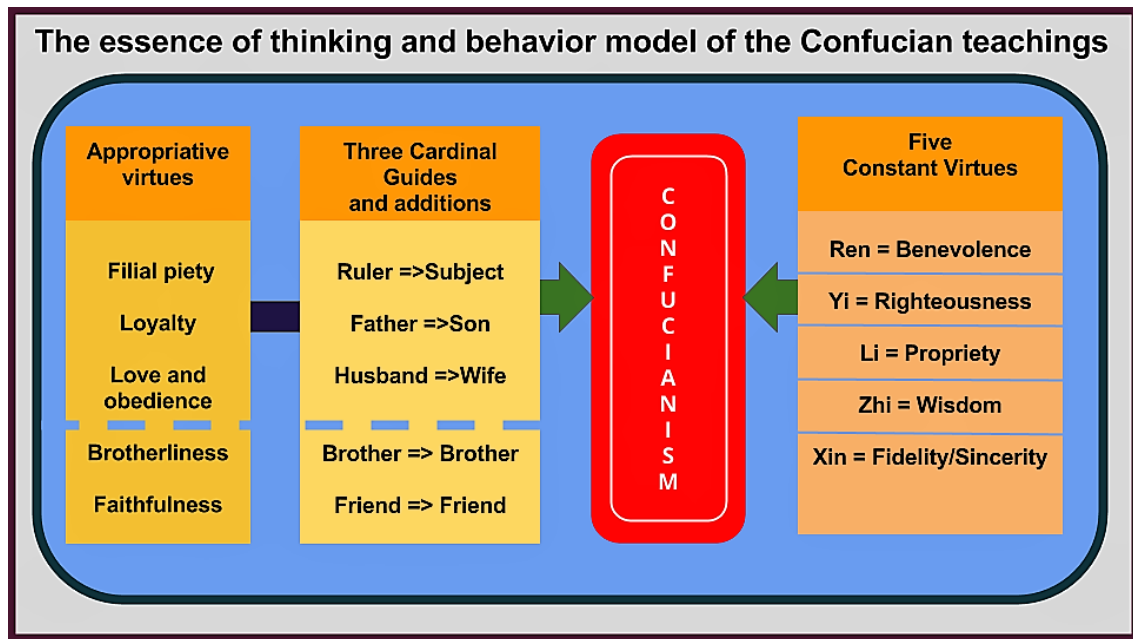

Figure 5. Essence of thinking and behavior model of The Confucian teachings (Liu 2009, 40-41; Wang & Chee 2011, 27 - 34; Chen & Lee 2008, 38 - 41)

In Figure 5 is presented the five constant virtues which are the main essence of Confucianism. As is seen, the most important concept of Confucianism is benevolence. Human relationships, their harmonious management, and maintenance form the core of the doctrines. Even though the relationship highlights the subordinate's obligations to superior, the superior also has obligations to subordinates. In this way, the equilibrium is directed into society. Not meaning that both sides obligations are taken into consideration equally, but people should be inclusive. The doctrine of Mean or a golden mean, a conclusion after reviewing all the opinions and options, which will benefit all parties, not individuals. (Ding & Xu 2015, 2,3,51, 52, 54, 55; Liu 2009, 40-41; Wang & Chee 2011, 27 - 34; Chen & Lee 2008, 38 - 41.) As Liu (2009, 45) states, the main consequences of Confucian influence on people's way of thinking and behaviour are to accept dictatorship easily. It is not just a historical, cultural phenomenon from the era of Dynasties, but it is true even today. It can be seen, according to Confucius's teachings, people accepting the one-party system. The Communist Party of China exercises supreme power. The most

visible part is the Party's General Secretary who usually is also the President of the People's Republic of China. The President is the most apparent part of the Government, and for this reason, he personifies as a leader of China. Nevertheless, the style of governance in China is a collective leadership, and if China is compared to a business organization, the role of the President would be a CEO of the company. (Ching 2017, 202, 205, 206; Ding & Xu 2015, 2017-2019, 221, 223; Liu 2009, 45.)

In Figure 6, a business interaction framework between Chinese and Finnish Businesses is portrayed.
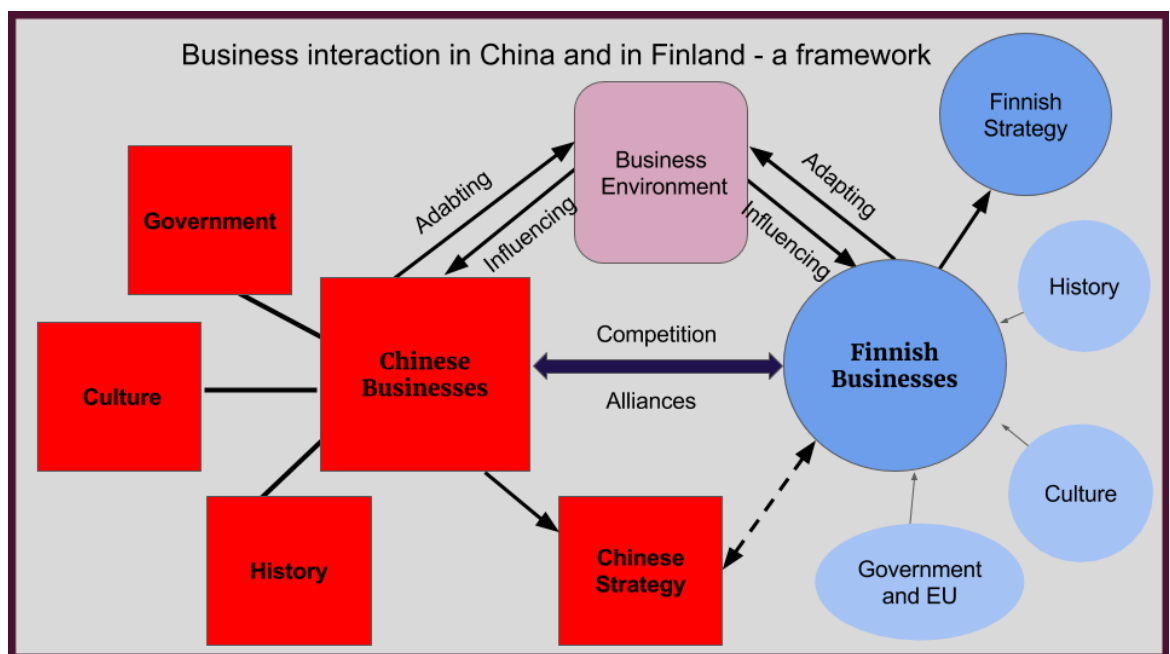
Figure 6. An adaptation of a business interaction framework in China by Liu (2009, xiv-xv)

Figure 6 describes the factors strongly influence the Chinese business culture and behaviour, i.e. government, history, and culture. Understanding these factors and their impacts on Chinese Businesses and Chinese Strategies will help Finnish businesses to realize the Chinese Businesses position as competitors and collaborators. (Liu 2009, xiv-xv.) The Finnish Businesses are also affected by the history, culture, and government as well as EU regulations

and legislation. However, in Finnish Business environment these factors are not strongly binding the companies as in China.

In Chinese firms, business strategy formation is a three-layered model of Chinese business environment. In this theoretical business environment model described in Figure 7, the foundation is formed with the previously discussed history with the language, philosophical thoughts, and military classics. The other two layers, macro- and micro-environments are standing firm on this strong foundation. (Liu 2009, 184-185.)
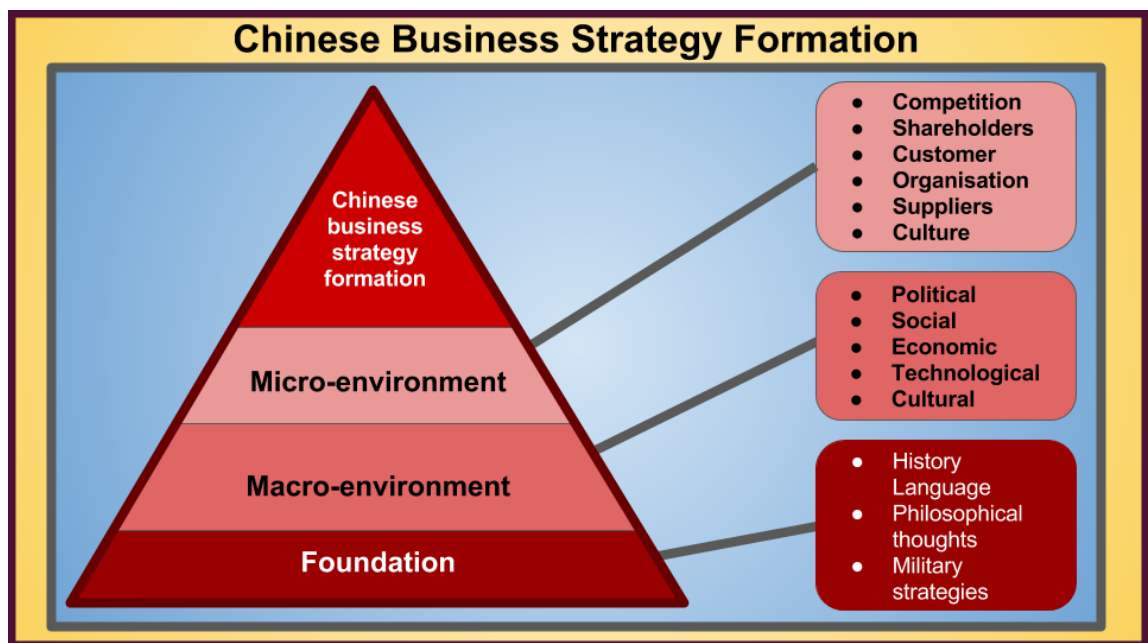
Figure 7. Chinese business environment structure (Liu 2009, 184-185)

In Figure 7 Chinese business strategy formation is portrayed in a pyramidic format with the explanatory boxes. In these boxes, the main elements of each layer from the Chinese business environment perspective has been explained. By studying the macro environment, it is clear that most of the Chinese business context, as well as the formation of Chinese corporate strategy, is influenced by political, economic and cultural factors.

2.3 Strategies of Chinese Private Owned SMEs

Hence Kemi is trying to lure more Chinese companies into its region, it is also important to know how these companies are working, their strategies as well as the external business environment in China. Chinese companies have learned to operate in a turbulent and gigantic business environment. This context is a quickly developing platform, where companies must deal with rapid growth and slowdowns, massive expansion of cities and vast rural markets, aggressive competition as well as widespread corruption. The abilities such as responsiveness, improvisation, flexibility, and speed give them a critical edge, which provides higher returns (14%) to the private owned unlisted companies vs. the average of 4% earned by clumsy state-owned enterprises. Chinese businesses manage their employees differently. Hence the collectivist cultural perspective, managers tend to see the members of their organization as a family, but still, demand a lot from them. Quite often the CEO´s of the companies have started to work from bottom to up. Companies will usually continuously build alliances, innovate and develop new products as well as venture into unrelated business areas. Besides this, Chinese corporations are higher in energy and much more agile than the most Western companies. (Hoot & Michael 2014.)

Enterprises in China operate in two-time intervals, accomplishing current business deals while getting ready to double in size within three to five years. It involves adding resources as well as nurturing new business models and introducing new brands. Chinese business owners usually assign two managers who are autonomous and responsible for the selected interval. Managers should efficiently compete for resources of their territory. Chinese leaders avoid direct engagement but prefer more complex cooperative management structures. They also like to create new cross-organizational roles. Chinese executives are used to making decisions in an ad hoc manner and quite often are micro managers. The most wanted employees in the labor market are entrepreneurially minded employees who are ready for the hard business. So called top-of-the-class candidates are unwanted because they tend to gravitate toward state-owned enterprises. However, the problem with the entrepreneurial employees is that they tend to leave as quickly as they sign on. That´s the

reason why turnover in China's private companies is more than 20% a year. Furthermore, most companies have not made investments in talent retention and are weak in the fields of coaching, feedback, and training. (Hout & Michael 2014.)

Chinese businesspeople need to be skilled managers of the operations. They also need to know how to handle the state affairs. Moreover, even currently Chinese business people must capitalize on officials to get licenses to operate, to lease a space, to find workers, or import materials and raise capital. However, they have learned to make the system work, of course with the help of guanxi, local networking. (Hout & Michael 2014.)

Most of China is still developing, and there are a lot of new customers, companies with insufficient capital, unknown or no-name brands as well as plenty of unique local business customs and traditions. Therefore, in China, the definition of quality reflects the local needs; construction companies pay for quickly drying cement, or which may be utilized in freezing temperatures because they need to build very fast and to operate seven days a week. They are not going to pay for cement that lasts from 30 to 50 years. It is debatable if this is right business ethics or sustainable construction building? However, it´s a Chinese way to capture value by offering to their customers and partners what they want. (Hout & Michael 2014.)

In general, Chinese SME companies maintain engineering and manufacturing close, often also co-locating them. On the other hand, the MNE firms usually keep more significant organizational distance between these two functions. Chinese companies are also likely to gain new technologies either through formal licensing deals or by reverse-engineering them, but at the same time keeping the concrete work and experimentation as well as manufacturing in-house. (Hout & Michael 2014.)

Building relationships and using nonmarket strategies with government and other institutions is critical in China. It takes more partners to get anything done in Chinese business world than anywhere else in the whole globe. For Chinese executives, building personal relationships, guanxi, with party key players is a crucial way to lower the costs, manage tax obligations, and get market access.

In return, the politicians need to create a productive China with the help of companies as well as grow the tax base. Many entrepreneurs fail in China as well as in global markets, but the survivors in both business environments are resourceful, flexible, and fierce competitors. (Hout & Michael 2014.) They may well be considered the vanguards of the globalization era in which the ability to adjust quickly and pass through disordered environments as well as the use of unverified talents produces competitive advantage even globally. (Hout & Michael 2014.)

2.4 Framework for Chinese Government Policy

Since 2001 China´s Go Global strategy has encouraged Chinese enterprises to invest overseas (Ernest & Young 2012, 6), following their commercial plan but also fitting in the strategic goals and national interests (Ihéu & Pereira 2012, 3). The economic objectives and guidelines of OFDIs, were published by the State Administration Reform Commission and the EXIM Bank of China in 2004. These bright, given guidelines supported the Outward Foreign Direct Investments, OFDIs, which would in the first place cultivate resources exploitation projects that would relieve the domestic shortage of natural resources. Secondly, the projects that would boost export of local technologies, products, equipment, and labor. And last but not least, the establishment of overseas Research & Development, R&D, centers which would exploit internationally innovative technologies, managerial skills and professional contacts as well as mergers and purchases that would enrich the international competitiveness of Chinese enterprises. (Ihéu & Pereira 2012, 3.)

2.4.1 Government vs. Business Motivation

The most obvious finding to emerge from previous studies is that the Chinese government looks to accomplish three principal objectives through its go out strategy. These objectives are described in Table 1.

Table 1. Motivations for going global (Backaler 2014a, 3)

As Table 1 describes, the Chinese government needs to contribute its vast reserves abroad to help China's steady long-haul improvement. Second, it needs to secure natural assets to boost China's financial development deliberately. Third, it intends to make national champions to support its economic impact and delicate power in the global markets. These national champions are companies which help further the government's strategic aims, and in return, the government supports these businesses by giving them many advantages over their competitors. (Backaler 2014a, 36 - 37.)

Notwithstanding these administration objectives, there is a different arrangement of business inspirations clarifying why Chinese organizations expand abroad (Backaler 2014a, 36 – 37). Some Chinese companies grow outside of China due to fierce competition in the home markets. Or they seek to align themselves with government policies to acquire critical technologies to boost their competitiveness in Chinese markets. Even Guanxi effect motivates some business people to go global, based on the recommendations of their close confidants. (Backaler 2014a,30 – 31.)

2.5   Key Drivers for Chinese Investors

Ernst & Young (2012, 4 - 17) have studied Chinese companies'
internationalization, and they found several different drivers for Chinese
investments as is seen in Figure 8.

Figure 8. Forces and drivers leading to internationalization and globalization
(Stonehouse, Campbell, Hamill & Purdie 2004, 40-46, 109-116)

Figure 8 describes the theoretical framework of macro environmental forces and
four categories of drivers which are leading to internationalization or
globalization of business. These forces and drivers have discussed in more
detail below, and mainly from the Chinese companies' point of view.

Internationalization is a strategic gateway to the global markets. Europe is one
of the largest consumers markets in the world, and almost all of the significant
consumer manufacturers have a presence on the continent. Europe provides
accessibility to the distribution and logistics network and excellent infrastructure.
Many countries offer local technology and know-how as well as the skilled and
multilingual workforce to lure Chinese investments. Europe provides politically
stable economy and international business environment. Of course, EU
countries have high innovation and R&D and wide, stable financial sector
support for businesses. It can also provide a high-quality of life to the

expatriates. As a major manufacturer of consumer durables, by setting up business operations in the EU countries, China has the unique advantage of tapping into one of the world's largest markets to sell its consumer goods globally.

Buckler (2014) and Ernst & Young (2012, 8) perceives the forces that stimulate growth, development, and change within Chinese domestic markets have radically changed during the recent years. Due to better prospects for infrastructure development, many firms have been forced to diversify into related business areas or expand to overseas markets. Furthermore, the competition between Chinese and foreign companies are currently exceptionally fierce, making expansion into international markets a very feasible option. Due to the decreasing profit margins in extremely competitive Chinese domestic markets, the firms are seeking entrance to the world-class technology overseas. Having access to the latest technology abroad Chinese companies will have a better competitive advantage than their domestic competitors and at a higher profit per unit. Through significant acquisitions of several foreign companies, Chinese companies tend to acquire advanced technology from overseas, that helps them to obtain a critical competitive advantage over their peers both in domestic and markets abroad.

No doubt that technology strategy, is an essential strategic formation of economic development, hence the importance of it, is often ignored. Allegedly, technologies just by themselves do not create the overall strength of a nation. However, the functional and useful technology strategy is a vital factor and a propeller in a task of getting a competitive advantage for industries and firms. By mixing a proper technology strategy into country´s global strategy, a nation can elaborate an explicit technology policy towards technology development and innovation. According to Li-Hua (2007, 118), Porter (1988) describes the technological approach as a tool for seeking comprehensive, competitive strategies which aim at primarily diverse types of competitive advantages in trying to establish a theoretical link between technological change and the choice of competitive strategy of an individual firm. The core competitiveness of Chinese companies lies in the mixture of foreign technology, government support and excellent performance of enterprises in implementing the

appropriate technology strategy. (Li-Hua, 2007, 118.) Transforming a company's international objectives to the implementation of international business requires the right kind of global management faculty, both in overseas markets as well as in Chinese headquarters. By gaining access to large and worldwide brands, Chinese companies increase their competitiveness. These global brands are beneficial to the relatively young Chinese businesses and help them to build a bridge of trust between an unknown Chinese firm and overseas consumers. Building a globally recognized Chinese brand from the beginning would be time- consuming as well as expensive, and it would also require vast understanding and experience of international business. (Backaler, 2014b.)

2.5.1 TOWS Strategic Alternatives Matrix

Kaidi is the first Chinese company setting up its operations in Kemi, and therefore it is vital to reveal its strategies. It is done by TOWS Analysis, which is an alternative business tool, modified from SWOT Analysis (Table 2). TOWS and SWOT are both abbreviations and altered layouts of the words Strengths, Weaknesses, Opportunities, and Threats (Mindtools 2015). A strategy is a vital factor for any organization. Policy raises questions about the ways how the organization grows, how it innovates and how it changes (Johnson, Whittington, Scholes, Angwin & Regnér 2014, 3).

Table 2. TOWS Strategic Alternatives Matrix for Kaidi (Mindtools 2015)
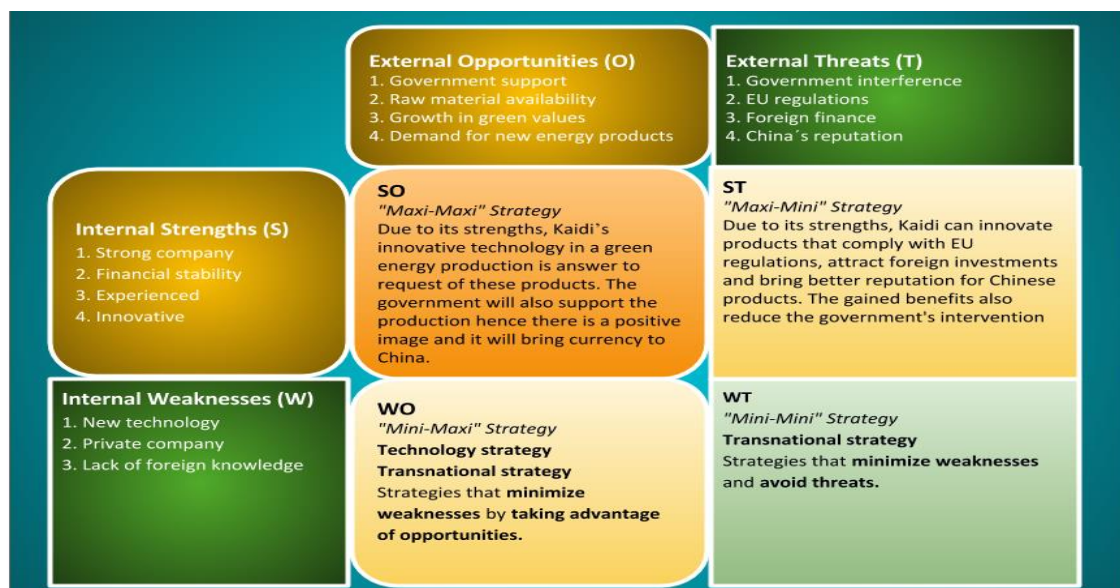
In Table 3 TOWS Strategic Alternatives Matrix (Mindtools 2015) reveals the strategies of Kaidi. These strategies are discussed more detailed below.

Kaidi seems to use the following four strategies. First one is an international policy. Advantages of Kemi are sufficiently high to call for an international plan, which opens a broad range of strategic approaches, starting from export strategy, to the most complex ones. The second one is differentiation. Differentiation focuses only one need, which is biofuel production. Biomass plant in Kemi is going to provide Kaidi specialized knowledge and technology. It increases its commitment to serving renewable energy.

At the same time, the new biorefinery will improve Kaidi´s image and brand recognition as a green energy provider. (Johnson et al. 2014, 190 - 199.) Kaidi is also using a focus strategy. A focus strategy is a marketing strategy, in which a company focuses its resources on entering or expanding in a narrow industry segment. A company usually uses a differentiation focus strategy when it knows its part and has products to satisfy its needs. Kaidi will gain the competitive advantage over its rivals due to its green energy products and new technology services. (Johnson et al. 2014, 190 - 199.) The last of Kaidi´s strategy is the transnational approach. The transnational approach is the most complicated strategy because its goal is to maximize reactivity as well as integration. The multinational strategy aims to combine the critical advantages of the multi-domestic and global strategies while reducing the disadvantages. Furthermore, the transnational strategy seeks to boost learning and know-how exchange across units in different countries. The value chain is a complicated combination of centralized manufacturing, scattered assembly with local adaptations. Coordination is neither centralized to China nor dispersed abroad, but it encourages know-how flows from their origins. The most significant advantage of this strategy is to support efficiency and effectiveness. (Johnson et al. 2014, 224 - 240.) Table 3 visualizes the SAF i.e. suitability, acceptability and feasibility standards and methods of assessment.

Table 3. SAF standards and methods of assessment (Johnson et al. 2014, 372)

Suitability	How well the chosen strategy utilizes the opportunities in the environment and how well it shuns the threats?
Acceptability	How well the chosen strategy fulfills the expectations of the stakeholders? What is the level of risk and is it acceptable? Is the possible revenue acceptable? What are the likely reactions of the stakeholders?
Feasibility	Is the chosen strategy going to work virtually? Are the required resources available and combinable? Do the employees have required skills and know-how or might it be obtained? Can the strategy be funded?

Following a SAF suitability criterion, shown in Table 3, a relevance of selected strategy can be revealed in the light of the organizational opportunities and threats, satisfactoriness of key stakeholders as well as the feasibility of the possibilities and risks, the acceptability of the key interested parties an opportunity regarding capability for execution. (Johnson et al. 2014, 395.)

The success of a chosen strategy depends on the management of people and finance, physical resources, such as buildings, IT and the resources arranged by suppliers and other partners. Thus, the feasibility of a strategy should be considered regarding the capability to gain and integrate the resources into the organization and in the extended value network. Failure to see the resourcing needs can result in severe problems to the business. (Johnson et al. 2014, 393.) Figure 9 portraits the Verbeke's internationalization strategy model for an International coordinator.
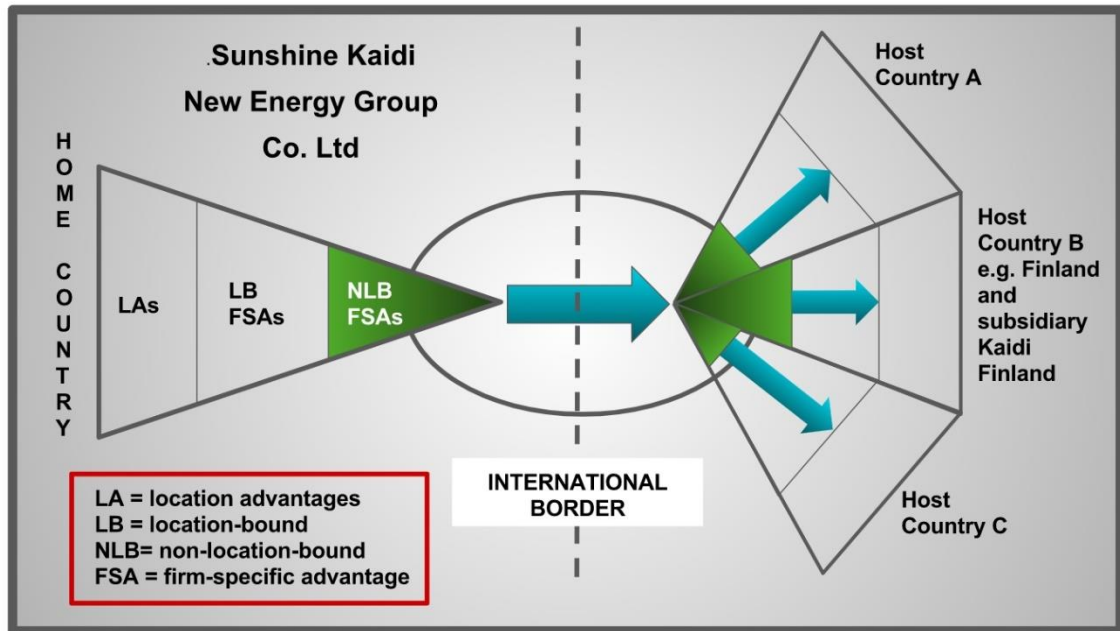
Figure 9. International coordinator (Verbeke 2013, 37.)

When reflecting Kaidi's internationalization strategy on Verbeke´s model, it can be estimated that Kaidi is an international coordinator as described in Figure 9. Even though Kaidi is still not a multinational enterprise (hereinafter MNE), it is gaining this status. Verbeke (2013) claims the international coordinator's main transferable Firm-Specific Advantage is its ability to coordinate the location advantages accessed in multiple host countries. In Kemi, Kaidi has access to abundant natural resources such as energy wood through third parties, the owners of energy wood areas and logistics services providers. According to Verbeke (2013, 37 - 38) the actual coordination may occur mainly in the home country or by establishing a local subsidiary abroad. The primary purpose of this arrangement is the legislation of host country, Finland.

2.6 Kemi and B&R

When considering the connection between Kemi and the Chinese driven B&R, it is essential to realize the strategic position of Kemi in Lapland as well as combine it with the Chinese strategy point of view. It is crucial to understand the facts that in the Barents Region Finnish Lapland has 1,600 km of shared land borders with three neighbouring countries, i.e. Russia, Sweden and Norway and

the Kemi has only commercial harbour in Finnish Lapland. Moreover, Kemi is a logistic hub for different transport methods. Furthermore, It is essential to realize that the whole Arctic region comprises a geographical area for eight countries and among these eight there are three big players from the global point of view, i.e. USA, Russia, and Canada. The New North or High North region, as the Arctic is today named, has also gained global interests and challenges. (Lapland UAS 2016b.) Especially China and India, as growing emerging economies and populations, have shown interests in Arctic region, the great opportunities and benefits it can offer.

China has a clear strategy to gain access to the Arctic and become a significant player in Arctic Region by investing, financing and joining many projects with local companies and governments. It has, of course, increased China´s interest in cooperation in many business fields in the Nordic countries as well as in Russia. (Lipponen 2016, 13,15.) There are some main reasons why China is looking to High North. The environmental changes in the Arctic and High North influence also China. In the Arctic, there are minerals and especially rare metals as well as other natural resources which are important for China to ensure its economic growth. Allegedly, rising business opportunities in the Arctic area draw China's attention too. The opening of the North Sea Route would be one of the possibilities. (Sun 2013,1.)

In Russia, China has multiple projects underway, which will give an opportunity to gain access to the Arctic. One of the biggest is Belkomur project, where a Chinese company is constructing a railroad from the town of Solikamsk in Perm to the Komi Republic and Syktyvkar and from there to Arkhangelsk. Building and financing this railway China is connecting them from Beijing to the shores of Arctic Ocean. (Rautajoki 2016, 24-25.) Finland also has several plans to build a connecting railway line from northern Finland to the Norwegian Arctic coast. One possibility is a line from Rovaniemi to strategically important harbour town Kirkenes. Finland has an exceptionally significant position to work as a logistic business hub between Barents Region Countries and Asia. (Lipponen 2015, 23.) Depending on what kind of decisions Finland makes in the future to build the connecting railways in Lapland, Finland could play a significant role to be a transit route connecting Siberian railway to Arctic harbour towns in Barents

region. (Lipponen 2015, 23.) Lipponen (2016, 18 - 19) reminds that opportunities on High North are merely based on Finland´s essential position and excellent possibilities in logistics.

2.6.1 Pull and Push Factors of Kemi

Gustafsson (2017) indicates that on the one hand, Chinese are interested in Finland due to its prospect as a product development hub, based on Finland's high level of competence and innovation, and the country's position as a gateway to the European market. On the other hand, for Finns, China's growing middle class and its transformation into furthermore consumer-driven economy present new business opportunities, in many fields. According to Mayor Nissinen (2017), primary pull factor of Kemi is the logistically right position, when considered Chinese interest and reflected it to the Northern Dimension and the Arctic region as well as the importance of these factors for B&R initiative project. Thematically pull factors of Kemi for Chinese are the innovations and know-how on wood products, cleantech, and bioenergy as well as education offered in these fields. Furthermore, shortly Kaidi will be a new highly decisive pull factor for Kemi. In addition, knowledge and know-how related to the circular economy theme will also be an attraction factor soon. Mayor Nissinen (2017) points out it is good to realize, that nothing is coincidence, however, when you consider the reasons for the Chinese interests towards Kemi. It is evident that everything is related to China's higher purpose, and specifically to B&R initiative plan. When considering weaknesses and thus the push factors of City of Kemi according to Mayor Nissinen (2017), the main flaw in co-operation with Chinese partners is the mismatching on scales of operations compared to the Chinese. A small town does not have, and cannot provide, enough human resources and not necessarily financial resources for the desired measures of co-operation. The lack of resources and an asymmetry of them may slow down the co-operation and activities from the Kemi´s side. Eventually, it may at some stage become a push factor. EU decisions and line-ups, in matters of interest to China, can also work for Kemi's benefit or disadvantage, but Kemi can hardly influence on them itself. It can even be considered a weakness of Kemi, although it is an indirect factor.

3   RELATIONSHIP MANAGEMENT

Globalized business environments have changed in such a way that the prerequisite for companies to cope with ever-growing competition is to collaborate by creating strategic alliances as well as through networking rather than acting alone. That has to lead to the competition between organizational networks, not just between individual companies. Consequently, the creation of cooperative strategies and the relationship management including the inter-organizational relationship management are essential topics in practice. These have also emerged as important factors between the various nonbusiness and business organizations. (Sydow, Schüßler & Müller-Seitz 2016, xi, 3 - 4, 6-7.)

Relationship management is a strategy which maintains a continuous level of engagement between an organization and its cooperation partners. It focuses on the financial and investment industries as a way to identify potential cross-sales of products and services. It also aims to create new partnerships between the organization and its partners rather than consider the relationship merely transactional. (Investopedia 2017.)

Inter-organizational relationship management is a strategy between different kinds of organizational structures which have the willingness to accomplish their aims more productively and expeditiously. If there are only two organizations to build the relationship, the formation is called a dyad. If participating organizations exceed two, the inter-organizational relationship is called network. Moreover, if a vast amount of organizations are forming inter-organizational relationships network, it is called as multiplicitous. However, to operate as a network, the relationships must be collaborative, open-ended and reciprocal. (Sydow et al. 2016, 4.) According to Sydow et al. (2016, 6, 7), there are three categories of motives which are common when forming inter-organizational relations. Those are costs, benefits, and risks. When examining these categories from the framework of the China Strategy for Kemi perspective, it was evident that most motives are beneficial. Thus, the motives in costs and risks categories are more business influenced and oriented. The beneficial focus has several motivations that most suits the objectives of planning and implication of China Strategy for Kemi. These motivations are knowledge and

technology exchange and learning, of learning and relational advantage developing, as well as stimulating creativity. (Sydow et al. 2016, 6,7.)

Figure 10 portraits the evolutionary phases and learning process in relationship network process.
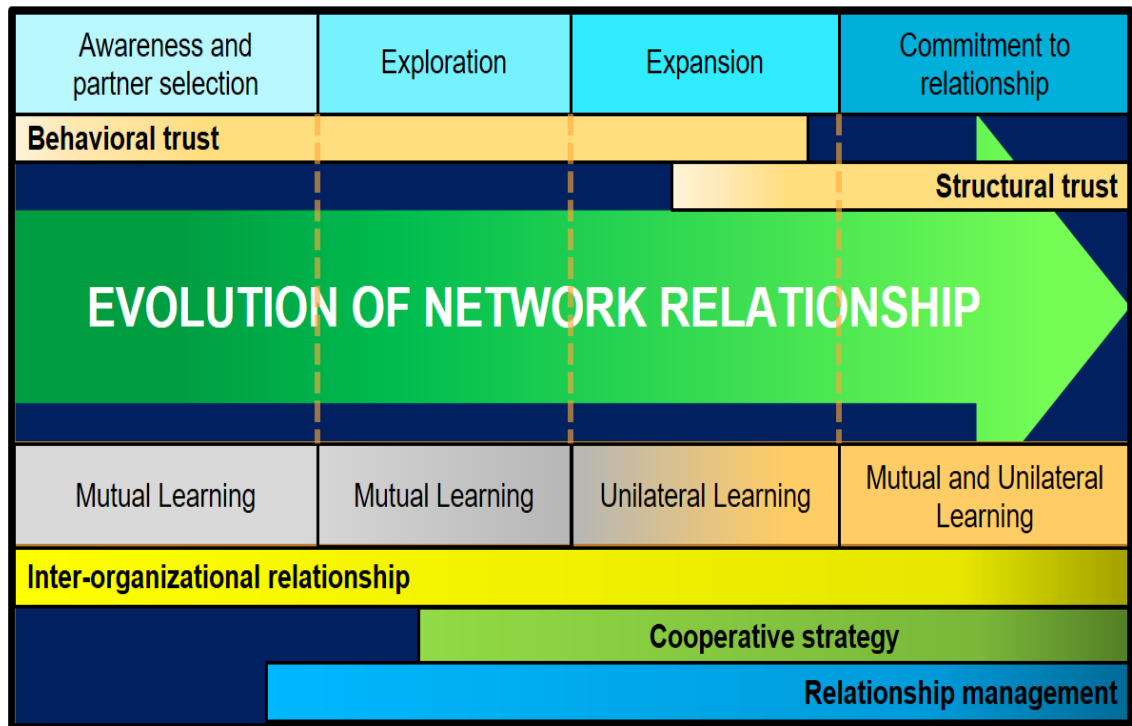
Figure 10. Relations between the relationship phases, the learning types and the trust types (Estivalete, Pedrozo & Cruz 2008, 325-329)

In Figure 10 is visualized the multi-layered relations between the relationship phases, the learning types and the trust types considering the evolution of relationships interlocked with three management and strategy models. As is seen in Figure 10, the China Strategy for Kemi is created with a threefold process. In the first stage, inter-organizational relationships are build, after which cooperative strategy is created. Finally, the strategy is utilized and maintained with the methods of relationship management. Since all these three management and strategy models include aspects such as learning and trust, they can be interlocked to create one complete strategy.

The following subchapters are discussing the creation of network relationships from the inter-organizational relationship management, cooperative strategy and relationship management perspective.

3.1   Co-operation and its Role in Strategy

Child, Faulkner and Tallman (2005, 1, 6) define cooperative strategy as an effort by organizations to achieve their intentions through co-operation with other agencies. The aim of the co-operation is on the benefits that can be gained through co-operation as well as how to supervise the partnership to fulfil the goals. A cooperative strategy offers significant advantages for organizations that are lacking in particular capabilities or resources. Co-operation may also provide easier access to new global markets and prospects for mutual more in-depth interaction and knowledge. Strategic partnerships, as well as other configurations of interfirm co-operation, have grown remarkably and are currently one of the most essential new organizational forms. Child, Faulkner and Tallman (2005, 4 - 5) remind that one of the vital difference between Finland and China in business philosophies is, that Finland is individualistic and competitive right down to an interpersonal level. On the contrary, while China is collective and cooperative within dense networks of relationships, which should be considered as the basis of China´s strengths.

Figure 11 portrays the theoretical model of the phases of developing the organization co-operation according to Child, Faulkner and Tallman (2005,9).

Phases of organization cooperation

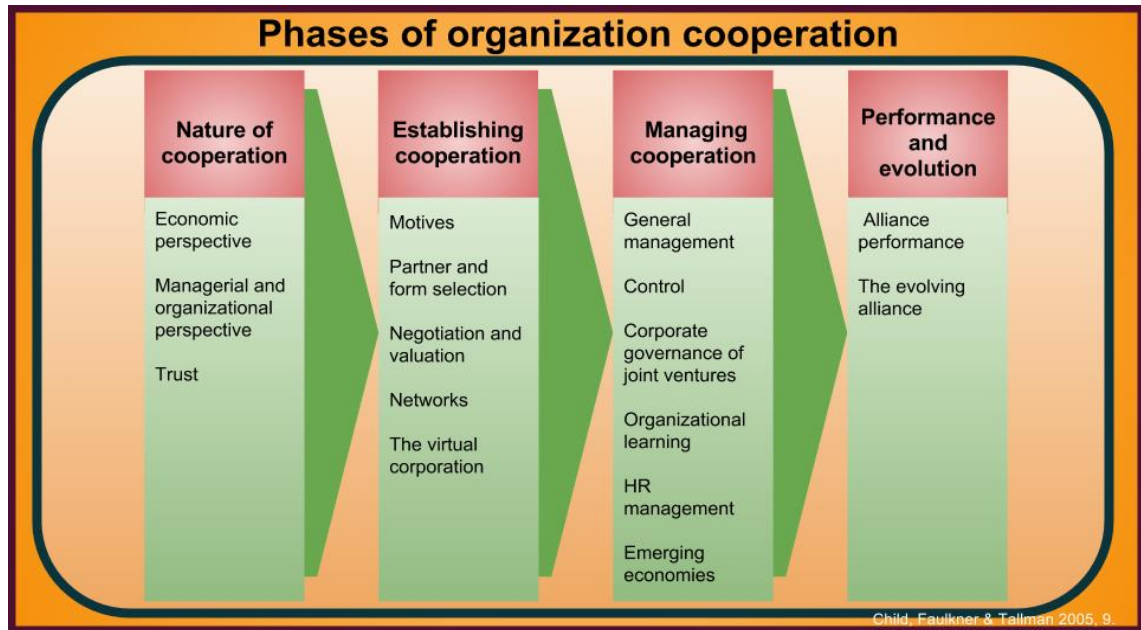| Nature of cooperation	Establishing cooperation	Managing cooperation	Performance and evolution
Economic perspective	Motives	General management	Alliance performance
Managerial and organizational perspective	Partner and form selection	Control	The evolving alliance
Trust	Negotiation and valuation	Corporate governance of joint ventures	
	Networks	Organizational learning	
	The virtual corporation	HR management	
		Emerging economies	

Child, Faulkner & Tallman 2005, 9.

Figure 11. The phases of developing the organization co-operation (Child, Faulkner & Tallman 2005, 9)

Figure 11 describes the four main phases through which the organizational co-operation is developed and the actions relevant to each phase. The focus of the cooperative strategy is a co-operation between organizations aiming to achieve associated success in coalitions. No volume of energy and explicit management will compensate commitment and trust. Hence both are necessary for an ongoing and perpetual relationship. Strategic associations, relationships, and groups are based on organizational learning. However, many other types of co-operation such as networking are mainly for skill or capability exchange. (Child, Faulkner & Tallman 2005, 8.) While the associates become acquainted with each other, this enhanced understanding should procreate supplementary confidence. Ultimately, the cooperation may be developed and established by genuine personal friendships between the key participants. These essentials in development of the confidence may maintain the stages through which teamwork within an alliance can improve. (Child, Faulkner & Tallman 2005, 10.)

The cooperative strategy can be reflected by some economic theories such as market-power, transaction-cost analysis, agency theory, resource-based, transaction-value, real-options and increasing-returns theory. A few of these theories have authority and practicality, though none of them is appropriate to

enlighten co-operative strategy in its completeness. (Child, Faulkner & Tallman 2005, 17.) On the contrary, the point of view of co-operative strategy offered by Strategic Management Theory, SMT, draws attention to the requirement for potential partners to achieve appropriate strategies so that the alliance creates a positive contribution to the success of each participant's objectives. SMT has also been aware of the desirability of achieving tailored organizational and national culture, which the partners bring to their co-operation. (Child, Faulkner & Tallman 2005, 32.)

The significance of social network theory for co-operative strategy results from the fact that business actions are inspired by the shared environment in which they are implanted. Social networks can approximately be defined as determined and organized groups of persons or organizations who cooperate by embedded and flexible contracts. Such contracts are considered more socially than legally binding. The perspective claims that the deeds of individuals and organizations can be rationalized by the status of administrators and their organizations as well as by their own decisions within social networks. Strategic alliances often locate within social networks, and this has significant outcomes. The social relationships that are established through a partnership can support both the business of those alliances as well as the establishment of new ones between same partners. The presence of social networks of previous connections often motivates the selection of partners for new alliances. The firms and their leaders that start co-operation is expected to be relieved about the risks hence there are already strong social links and connections between them directing their mindsets and actions. (Child, Faulkner & Tallman 2005, 41.) According to Child, Faulkner and Tallman (2005, 41), Gulati (1995) emphasized that the cultural values that provide harmony and characteristics to social networks might also guide how alliances are constituted and evolved.

The social network perspective supports the understanding of co-operative strategy. It pinpoints that networks can be adequate sources of information for new co-operation opportunities. By developing trust between partners and their willingness to cooperate, social networks can improve co-operation existence and its successful growth. The main weakness is a risk that an organization might become too intertwined into the network which will result in a reluctance

of considering co-operation opportunities outside the network. Moreover, quite often organizations might be over cautious about forming potentially beneficial partnerships with foreign organizations, especially with diverse culture. (Child, Faulkner & Tallman 2005, 41.)

Child, Faulkner and Tallman (2005, 54 – 57) argue that co-operative strategic alliances develop over a time supported by a corresponding evolution of trust. According to Child, Faulkner and Tallman (2005, 54 - 57), Smith et al. (1995) note, collaborative relationships develop through some stages. Ring and Van de Ven (1994) had previously discovered the feedback loops whereby the partners evaluate their experiences and decide whether to continue to cooperate and, if so, in what form. The distinction between trust based on calculation, understanding, and identification opens a window on the way that the evolution of trust is integrated into this dynamic process of evolving co-operation.

Child, Faulkner and Tallman (2005, 54 – 57) and Lewicki and Bunker (1996, 124) propose a model of the stagewise evolution of confidence, in which trust develops gradually as the parties move from one stage to another. Lewicki and Bunker (1996, 124) also noticed that the trust first develops by calculation, which is a stage where people are prepared to take some risk in depending on others. If first cooperative activities serve to confirm the validity of the calculative trust and encourage repeated interaction as well as transaction, then the parties will also begin to develop a knowledge base about each other. The conditions are generated for a transition to trust based on mutual understanding. At this stage, both counterparts feel comfortable with each other in the knowledge that they have proved to be consistent and reliable. As well, knowing that the partner shares high expectations about the relationship. Thus, the partner is proving to be predictable. In this way, the parties experience a calculative trust relationship is critical for their willingness to undergo the shift to cognitive trust. If the feedback is negative, and trust is broken, they will probably move to terminate the relationship. If the experience of relating on a calculative basis is not strongly positive or if the relationship is regulated to a high degree or if the interdependence of the partners is heavily bounded, even a slight fracture will prevent the development of cognitive, knowledge-based trust.

A further transition comes when normative trust builds on the depth of knowledge that the parties have acquired of each other, and on the confidence, they have developed. These outcomes from the relationship may encourage the parties to identify with each other´s goals and interest. A certain amount of mutual liking will probably now enter the relationship so that this stage is typically one at which the partners have become friends. At this juncture, Lewicki & Bunker (1995, 124) believe that whereas stable knowledge-based trust characterizes many relationships, trust based on personal identification may be less frequent especially in business or work transactions where some difference of interest is usually inherent in the relationship. Thus, on the one hand, they have some benefit in business arrangements where a selection of perhaps less competent partners based on personal relationships can be hazardous, hence the often-repeated folk wisdom of avoiding doing business with family members. (Child, Faulkner & Tallman 2005, 54 - 57.) On the other hand, Luo (2000, 177), Poutziouris, Smymios and Klein (2008, 464 – 465), Sanderson (2008, 32), and Schaper and Lee (2016, 179) indicate and stress that Chinese feel obligated to do business with their friends and family members.

3.2   Establishing Co-operation

A relationship usually starts with first contacts between individual actors from the two organization. At the early stages of the relationship, there will be a considerable distance between the parties. Ford, Gadde, Håkanson and Snehota (2009, 39) define what a relationship has various dimensions. Social distance determines the range to which the actors are unacquainted with each other´s approaches to thinking and working and are comfortable with them. Cultural distance evaluates the point to which the customs and ideals of the two organizations differ. Technological distance describes the differences between the outcome and manufacture technologies of the two organizations and the intensity of correspondence between them. Time distance refers to the definition or consideration of time concept of each party which may reveal a lack of urgency or unrealistic expectations to their interactions and plans. The core of the early communication between the actors is a mutual interaction that assists become familiar. It also enables both parties to learn as well teach each

other about what they stand for, or what they need from the relationship as well as what they can offer to it. (Ford et al. 2009, 39.)

An ideal way to build a framework for further business co-operation is to have a valid relationship management strategy. Relationship management strategy is an approach to manage interactions between Kemi, local companies and Kemi´s existing and possible new co-operation partners in China. It focuses structuring and managing the relationship and is a procedure of constant development that includes personal communication, business practices and relationships at multiple levels. It creates a common framework of reference that enables efficient communication between Kemi, and Chinese co-operation partners that may use entirely different business practices and terminology and have very different cultural paradigms. When companies enter developing markets such as China, Relationship Management discontinues the management and focuses on the relationship building. Hence the critical word in China is a relationship. Effective relationship management can help Kemi to lure more Chinese companies to its region as well as help local businesses to become more international and competitive by helping them to the Chinese markets. Ganster (2009) defines the following features vital for organizations that successfully implement Relationship Management strategy for China (Table 4).

Table 4. Vital features for successful implementation of Relationship Management strategy for China (Ganster 2009)

1)	A formal process for finding, qualifying, and verifying new Chinese partners
2)	Prioritize partners and relationships to give the most attention to the most significant partner
3)	Core partners are kept adjusted with the organization's strategy and vision
4)	Frequent visits with the Chinese partners and one-on-one relationship building also through social events
5)	Collaboration performance is regularly reviewed at all levels of the organization
6)	Appropriate business intelligence and support resources
7)	A formal cooperation and business improvement plan

Relationship Management strategy will not be sufficient if the strategy does not align with organization's goals for growth and profitability right in the beginning. Organizations should make sure they have the right partners in the right place in the right type of relationship. They also have to back up their partnership philosophy with careful execution. (Ganster 2009.) Communication is the cornerstone of a successful Relationship Management initiative in China. The cultural focus of a relationship indicates that interpersonal communication is highly appreciated. Since Chinese and Finnish approaches of interaction are very diverse, Finnish leaders may encounter some significant challenges building quality, lasting relationships with Chinese counterparts. (Ganster 2009.)

According to Hofstede (1980) first and foremost, Northern Europeans, such as the Finns, approach relationships very differently than the Chinese, hence Finnish are low-context communicators. Typically, low-context communicators play by external rules and information is categorized, public, external, and readily available. People consider different aspects of life, activities, time, space and relationships, as a discrete and separate issue from each other. In the task-centered cultures, communication tends to be neutral, efficient and brief, so knowledge is more easily transferable in Finnish than in Chinese culture. The Chinese belong to high-context communicators. Their communication style diverse from the Finnish hence it is far more implicit. Therefore, it requires a more internalized grasp of the context of the interaction. Information might not be inevitably accurate but is considered as being factual. Moreover, it can be decoded variously according to the situation or the relationship. Overall, relationships in China tend to be byzantine and habitually contain complex connections with others. In Finland, contact structures are more straight-line. (Ganster 2009.)

The contradiction between communication styles may initiate focal communication gaps. If a Chinese co-operation partner stated that he would try to meet the deadline, Finns would interpret it as the Chinese partner will do his/her utmost to be on time. However, in fact, the Chinese counterpart is politely informing that there is no way to be on time. Hence Chinese culture rests a high significance to discourse inconvenience by implication as well as shunning open critique and disturbing the harmony in the relationship. These

cultural norms are visible during the negotiations, but this is just one example why Finnish need to translate communications with their Chinese counterparts, not just linguistically but also culturally so that the message is understood as well as how it is phrased and said. (Ganster 2009.)

Relationship hierarchy also influences the way, how co-operation partners work together. In the western society, everyone should have equal rights, and authorities represent only convenience or efficiency. In Finland, the superiors are accessible and approachable. However, in China, hierarchical relationships are accepted, and people depend on them. It is anticipated a Chinese supervisor to be more experienced than the subordinates, and furthermore, the supervisor should never be judged or opposed. In China, leaders have privileges, and hierarchy ensures inequality. In these circumstances the differences in communication styles and individual rights as well as authority, there are bound to be misunderstandings when Western, and Chinese counterparts negotiate and discuss mutual expectations. To tackle these challenges, require a substantial commitment by the senior managers to encountering personally with their Chinese co-operation partners to cultivate strong relationships and work through cultural differences. Where there is a high level of trust and respect, the likelihood of co-operation, transparency, good performance, and mutual financial benefit significantly increases. (Ganster 2009.)

Moreover, Relationship Management can help develop strong relationships with the right organizations. A close correlation means that both parties have attained enough confidence and entrusted that the communication flow is smooth and secure. In this way, partners share not just the best practices but also the fruits and risks of their joint activities. Most significantly, relationship management is the means for finding a reliable collaborator with whom an organization can traverse today's changing and increasingly complex global business environment. (Ganster 2009.)

3.2.1 Motives of Co-operation

In this subchapter, the motives of co-operation are observed from the two different angles; Chinese as well as Kemi´s. When two organizations decide to implement a specific co-operative strategy, there are two fundamental motives. These motives are learning, and skill substitution as seen in Figure 12. (Child, Faulkner & Tallman 2005, 79, 110.)
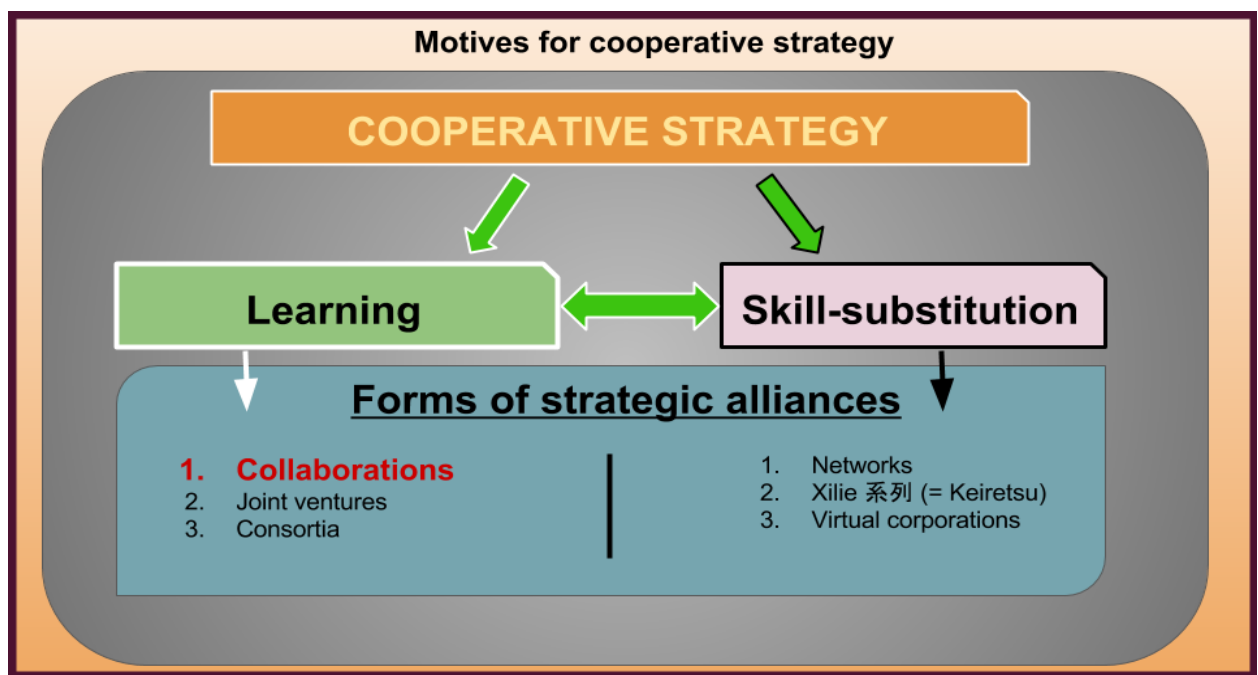

Figure 12. Two fundamental motives for cooperative strategy and the forms of strategic alliances (Child et al. 2005, 110)

Figure 12 portrays the forms of strategic alliances related respectively to those above discussed two motives. The primary focus of this research is the co-operative strategy of Kemi with Chinese companies and related Chinese regions, e.g., with cities, the motive of learning is brought up. Skill substitution arrangement strategic alliance forms are not examined since they are more related to business-to-business operations. (Child et al. 2005, 110.)

Considering Kemi´s current economic situation, it is apparent that the acquisition of Chinese investment would be desirable as it would increase the vitality of the city. The unemployment rate in Kemi and its surroundings varies between 15 and 20 percent. The general assumption is that implementation of

the Kaidi project will have a significant impact on local employment. The bio-refiner's employment effect during the construction period would be 4,000 working years. The refinery itself would create 150 permanent jobs, not even mention the overall employment effect of the plant, hundreds of new jobs would be generated. (Kaihlanen 2016; Lassila 2016.)

Allegedly, also the Chinese part has own economic motives to start co-operation with Kemi. Support funding for the bio-economy and the production of biofuels is available from the EU. Furthermore, investors in Europe and Finland are expected to be interested in new manufacturing technology. When analysing the information gathered from the various articles in Finnish newspapers, the motives of Sunshine Kaidi New Energy Group Ltd to start co-operation with Kemi, was the sum of the coincidences. The owner of the company Mr. Chen had purchased an American plasma-gasification company and was searching for a suitable place in Europe where this new technology can be utilized to produce ecological biodiesel. Kaidi and its owner Mr. Chen was introduced to Mr. Koponen who is the owner of the China-based Finnish consulting company Spinverse. (Lassila 2016; Demokraatti 2016; Tammilehto 2016; Noponen 2016.)

Spinverse specializes in the management of innovation projects and the organization of public subsidies. Mr. Koponen has created a long-term relationship network through China's state administration and enterprises. Although Kaidi had alternative locations for their biorefinery in other parts of Europe and the Nordic countries, yet Finland was selected as a destination. It was mainly the result of Mr. Koponen's networks, but also because of the Finnish State government program promoting the use of biofuels in Finland and to export. Moreover, Kemi was selected because the city had already a plot available as well as the necessary permits were already applied. Permits had been gained for another biorefinery project, which, however, was abandoned. (Lassila 2016; Demokraatti 2016; Tammilehto 2016; Noponen 2016.) As earlier discussed, a logistically important location of Kemi was considered as a strategic pull factor. Furthermore, Kemi can provide planning and development assistance through its own development company. Likewise, Lapland University of Applied Sciences in Kemi has expertise in development co-operation with

industry. These will support the co-operative strategy learning motives with the mutual benefits. (Lassila 2016; Demokraatti.fi 2016; Tammilehto 2016.)

3.3 Generating and Maintaining Co-operation

The cooperative strategy can be defined as an achievement of an agreement and a plan to work together; not just transferring instructions down hierarchies. Co-operation, once established has also to be maintained and managed. Organizations embarking on a co-operation with other organizations need to keep this as a priority when developing systems and controls and activating them in the co-operation. Commitment and trust are the essential attitudes associated with success in co-operation. Child, Faulkner and Tallman (2005, 1 – 7) reminds that commitment can exist without trust and vice versa, but both factors are necessary for a lasting and stable co-operation.

Co-operation is based on organizational learning, but networks are primarily for skill or capability substitution. The strength of networking lies in their specialization, adaptability, flexibility, but not necessarily for the learning opportunities, they might provide. According to Child, Faulkner and Tallman (2005, 8), co-operation does not mean to allow all proprietary information to pass unchecked to the partner; hence the co-operation might suddenly end. On the contrary, a successful co-operation will evolve into something more than it was perhaps predicted in the beginning. Considered attempts must be made to trigger the partnership to develop and to attract the best people as well as contribute most to both partners. The interface between cultures of partner organizations is the test of possible accomplishment. Thoughtfulness to each other´s cultures is vital to effective multilateral co-operation. The absence of the understanding leads to a failed co-operation nevertheless impressive potential economic synergy between the partners.

4   INTERCULTURAL INTERACTION

This chapter explains, as requested in commission agreement, unique features of Chinese culture compared to Finnish culture. Spencer-Rodgers and McGovern (2002, 610 - 611) indicate that viable intercultural interaction is vital to the foundation and support of positive relations. Elements that have been distinguished as critical to cross-cultural interaction capability, such as cultural knowledge, communication skills, and tolerance for equivocalness, emphatically affect the idealness of intercultural contacts. Hindrances for intercultural communication emerge from aggregate contrasts in cognition, sensitivity, and behavioural patterns. Successful intercultural interaction requires subjective, emotional, and behavioural adjustments that can be burdensome and troublesome to participants in an intercultural encounter.

Research of cross-cultural interaction points to the difficulty of achieving efficient and satisfying communication between ethnolinguistic outgroups. People must address the challenges of dialect barriers, new traditions, and cultural varieties in verbal and nonverbal communication styles to accomplish useful intercultural understanding. Subsequently, linguistic and cultural barriers regularly convey evaluative and practical consequences for interactants in a cross-cultural setting. Communication with the culturally different can adverse emotional responses. Individuals may feel awkward and anxious when interacting with culturally different others because of communication obstacles. (Spencer-Rodgers and McGovern 2002, 610 - 612.) Intercultural experiences may likewise be confounding because of differences in emotional expressivity and non-verbal correspondence styles and common types of qualities, standards, and traditions. These may prompt cultural misunderstandings and instances of communication breakdown that are distressing and unpalatable. Ultimately, repeated communication failures, emotionally loaded cultural misunderstandings can offer ascent to a negative evaluative overview toward the culturally different. (Spencer-Rodgers & McGovern 2002, 610 - 612.)

4.1 Culture Defined

Culture does not fit into a perfect compact and sensible model. Every society and culture are an unusual and complex arrangement of qualities and standards, sets of principles, patterns of conduct and connections. Consequently, most definitions of culture tend to be illustrative ones that recognize a culture's components. Culture is a lifestyle of society. Culture incorporates conduct, images, abilities, legends, information, superstition, ancient rarities and accomplishments learned and perpetuated by society´s institutions to enhance its survival. Culture is mostly an adopted way of life which is learned and passed down from generation to generation. As a learned behavior, experiences influence culture as well as some institutions that play a critical role in people´s lives, including family, religion, education, friends and neighbors and the surrounding living environment. These institutions shape the value systems of that society. Since culture contains some components, it is tough to comprehend its impact on society. Culture works on the unconscious level, and its effects are inconspicuous. Culture tends to be more societal, and every society has its way of life. Henceforth, extraordinary layers of culture exist at the national, territorial, societal, gender, social class and corporate levels. (Neelakavil & Rai 2009, 41; Trompenaars & Hampden-Turner 2012, 9 - 10.)

According to Johnson et al. (2014), Geert Hofstede has presented how factors, such as approaches to work, authority and power vary in different cultures. These cultural nuances have been shaped by cultural forces along with history and religion during centuries. Companies that are going to operate internationally need to understand and deal with different standards, values or even with the various kinds of expectations. Allegedly, diverse cultural environments have influenced individuals, employees, who work for the company. This is visualized in Figure 13. Culture can also be analysed and characterized so that its impact on the organization as well as strategies could be understood. (Johnson et al. 2014, 148.)

Figure 13. Cultural factors that shape an individual employee (Johnson et. al., 2014, 148)

As is seen in Figure 13, there are three main culturally influential factors that influence on the individual employee. These factors are geographic location, traditions and operating culture of the organizational field, and the organization's organisational culture itself.

4.1.1 The Culture Iceberg

Culture is a very complex and disproportionate regarding visibility. Only about 10% of the culture is visible and the remaining 90% is invisible (Trompenaars & Hampden-Turner 2012, 4). In the 1976 anthropologist, Edward T. Hall created the iceberg model to understand the culture (Figure 14). His model envisions the breadth and complexity of human culture. (Adekola & Sergi 2007, 164 – 165.)
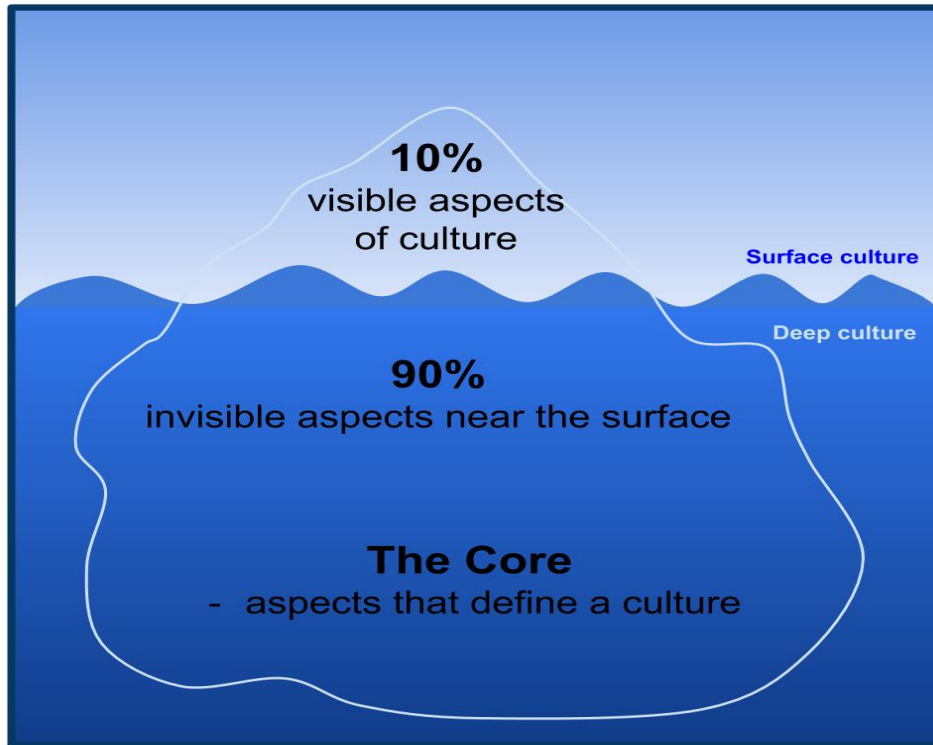
Figure 14. Culture iceberg by Edward T. Hall (1976)

In Figure 14, the Culture iceberg model is divided into two main layers i.e. surface culture and deep culture. During the first interaction with a new culture, people are introduced to the visible aspects of culture such as language, food, clothing, and art. These are important aspects of the culture, and even they also tend to be fluid and can change over the time or generation. Therefore, it is said, that the cultural components of the top 10% of the culture iceberg have a relatively low emotional value. This 10% does matter, but it can also be changed and altered without essentially contradicting the existence of the culture or people's identity. Adekola and Sergi (2007, 164 – 165) point out that the 90% of culture that is below the surface can be divided into two groups. The first are those components, which are near the surface, but still unseen. These components of the culture are considered as the unspoken rules of society such as nonverbal communication, ways of interacting, revealing of emotions, concepts of personal space, the definition of beauty, as well as basic ideas about manners and contextual behaviour. The other half of the 90% is the center of the undetectable part. It incorporates most of the parts that characterize the way of life. These are natural parts of culture; which individuals

adhere without cognizant. Hence these components have more emotional value, so, the changes in those values, threatens people´s cultural identity. (Adekola & Sergi 2007, 164 - 165.)

4.1.2 Cultural Diversity

For global companies, the most significant external factors are culture, the economy, political stability, accounting and monetary systems and the competitive environment. Culture is critical hence it additionally clarifies global business disappointments that can be followed to disregarding and additionally not understanding the fundamental cultural patterns. To collaborate and understand the Chinese companies, Kemi should consider and pay attention to the cultural diversity between Finland and China. Global organizations regularly work in nations with societies that are altogether different from those of their nation of origin, but in China, there are also domestic companies that have not any international experience. To lure more Chinese companies to its region, Kemi needs to find out how to comprehend and utilize these social contrasts in their strategic plans. Adapting to a new culture does not mean merely learning a couple of the sentences of the other nation, yet it implies figuring out how to connect the contrasts between cultures to make to create favourable interactions. (Neelakavil & Rai 2009, 39 - 41.)

Cultural changes happen gradually, and their impact perseveres for a considerable length of time. Indeed, even with the innovative advances in travel and interchanges, cultural characteristics inside social orders have remained practically unaltered. The static idea of culture is regularly a component whereby a society can protect its values and guard against external impacts. Even China is now going global it does not mean that the business culture or traditional manners have changed. The effect of culture on worldwide business is genuine and expansive. The impacts of culture can be seen in global strategic actions. (Neelakavil and Rai 2009, 41.)

Cultural diversity is not something that will vanish tomorrow, empowering to plan our strategies on the assumption of mutual understanding. Individuals of different cultures share fundamental ideas yet see them from different angles

and viewpoints, affecting them to behave in a way we may consider nonsensical or even in direct contradiction. (Lewis 2010, 6.) In learned behaviour exist clear trends, sequences, and traditions. Reactions of different nations can be anticipated, and in most cases, oversaw. Even in China, where political and economic change is now fast, the profoundly established attitudes and beliefs will oppose a sudden change of values whenever pressured by reformists, governments or multinational conglomerates. (Lewis 2010, 6.)

4.1.3 Stereotyping

Every day, the concept of the stereotype is used in various contexts. Usually, a stereotype is used to refer to members of some communal such as Italians are noisy, Finns are silent or all Chinese look alike. When interpretations of a new person or a specific group of people are made, the existing knowledge is used to diminish the uncertainty in the situation. The less is known about the object, and the more stereotypical generalizations are used. Trompenaars and Hampden-Turner (2012, 34), Backman and Butler (2007, 186 – 187) suggest that cultures whose behaviours are significantly diverse tend to portray each other in excessive, exaggerated forms of behaviour, which is called stereotyping. It is logically the consequence of noticing the diversity instead of the familiarity. The stereotype is a faulty interpretation of the typical behaviour in an individual environment. It exaggerates and caricatures the culture observed as well as unintentionally the observer. Furthermore, people often equate something different with something wrong. Typecasting overlooks the fact that individuals in the same culture do not primarily perform consistently with their cultural norm. Different personality mediates in each cultural systems. (Trompenaars & Hampden-Turner 2012, 34.)

In an intercultural interaction, one of the vital goals of the participants is to get to know the manners and personality of the communication partner. In this process, both evidence from existing beliefs about the members of that cultural group and own experiences are used. It is called cultural stereotyping. Stereotypes can concern own group or that of the other. Although we identify that a dialogue of intergroup relationship may focus on behaviours such as confrontations, co-operation, alliance, negotiation, or coordination, it is also

believed that each of these behaviours is arbitrated by perceptions, beliefs, and attitudes. Quite often stereotypes are seen and understood to be disadvantageous to intercultural interaction as well as co-operation, and the dismissal of stereotypes is considered to be a requirement for any fruitful intercultural exchange. However, stereotypes are schema of cognitive reasoning, which gives a set of characteristics to all members of a particular social group, and serves as a reference when assigning significance to observations and experiences in social interactions. (Trompenaars & Hampden-Turner 2012, 34; Backman & Butler 2007, 186 – 187.)

Stereotypes are seen as harsh generalizations that members of society force upon others with whom they are unfamiliar or do not understand. The less information we know about the other, the more we depend on stereotypes. If the stereotype is well-grounded and justifiable, it may help to orient in a specific setting, but if it is biased and contrary, it will harm the interaction. Some experiences interpret cultural or national stereotypes mysterious: cultural stereotypes are at the same time stable and fluctuating, convincing and irrelevant. Some characters may be enacted with different strengths in different situations, however, in a different context these features may have no relevance. Consequently, stereotypes are not useful in intercultural interaction as they do not accurately predict either party's behaviour. Osland and Bird (1998) claimed that the scholars of intercultural interaction had developed a significant number of variables that allow the comparison of different cultures. Osland and Bird (1998) also have named stereotyping executed by scholars as sophisticated stereotyping since it rests on the practical work of language and communication researchers, and it is believed to be based on theoretical concepts. Thus, these stereotypes have been developed to help to reduce the complexity of culture and to facilitate the real cultural understanding.

4.2   Cultural Differences Between Finland and China

By concentrating on the cultural roots of national conduct, both in society and business, we can predict and calculate with an astonishing level of precision how others will respond to our plans for them, and we can make specific hypotheses of their tactic to approach us. An operational understanding of the

essential features of other cultures will reduce and prevent unpleasant surprises in advance, and qualify us to interact successfully. (Lewis 2010, 6.)

4.2.1 Management

Chinese management's current imperatives are responsiveness, improvisation, flexibility, and speed. The abilities which give them a critical edge as in higher returns. Hence Chinese companies have had to survive in a turbulent environment, and they have learned to cope in innumerable ways more than the past 20 years. The highly controlled campaign of state capitalism is an enormous and quickly developing environment, in which companies must struggle with enormous growth and extraordinary slowdowns, giant urbanization and strong countryside markets, fierce rivalry and widespread corruption. (Nie 2016; Ganster 2009.)

There seem to be aspects of controversy in how Chinese business managers deal with the people. Culturally they are predisposed to see the members of their organizations as a family but, in return, demand a lot from them. Nie (2016) and Hofstede (1980) remind that China represents a different cultural background and social values compared with Nordic countries. China belongs to the cultural cluster, explicitly characterized by high power distance and low individualism differing Finland. Chinese employees mostly anticipate a harmonious leader-employee rapport, and superiors are anticipated to be authoritative, thus in Finland employees, favour more participative leadership behaviour. (Nie 2016; Ganster 2009.) Liu (2009, 38, 45-46), Ding and Xu (2015, 51), Jacques (2012, 274), Nie (2016) and Ganster (2009) states that the Chinese cultural context is profoundly rooted in the Confucian value system. Because of this, employees tend to respect and obey people in higher positions and prefer authoritative leadership behaviour to participative behaviour. Nie (2016) and Ganster (2009) emphasize the responsiveness of Chinese to the power. As soon as the leader-employee relationships addresses, the hierarchical social value influences people's reflections and actions. Hence hierarchy influences all Chinese business relationships, this should be kept in mind in situations such as hosting Chinese delegations and when Chinese companies start their businesses in Kemi region.

In Chinese culture, an impression of shame is one of the critical human emotions. Chinese emphasize shame as a critical component in their social relationships. Unfortunately, the western leadership theory, also used in Finland, does not notice any of these Chinese peculiarities. Chinese expect that one will always maintain face and avoid putting anyone in the position of feeling shame. A result of maintaining face, Chinese are likely to use implicit and indefinite language to articulate their opinions. Finnish, on the other hand, emphasizes rationality by implementing an open conversation to confirm that the interaction delivers the exact message instead of having confidence in the listener's ability to grasp the meaning. From the viewpoint of Kemi leaders, this means that to be able to build and maintain a high-quality relationship with the Chinese subordinates, they have to learn to use a more context-dependent and indirect communication style. Furthermore, they need to understand such communication behaviour from their subordinates' side. (Nie 2016.)

4.2.2 Negotiations and Contracts

Business cards are traded at an initial meeting, and it is executed by using both hands to distribute and accept business cards hence it demonstrates respect. The card is handed to the person instead of putting it on the table, as this will usually be regarded as arrogant behaviour. It should be ensured that the writing faces the person to whom the card is handed. An accepted business card, should not immediately be placed in a pocket or wallet. Hence it is considered rude in China. It is also advisable to have the business cards in English on one side and simplified Chinese on the other. (China Biz Consulting 2011.)

Chinese show their friendliness as well as a curiosity by asking intimate questions concerning family, salary and working experiences, even during the first meeting. Chinese are eager to talk about their offsprings, so it is a safe and even polite topic during business meals. However, tact, diplomacy as well as a precaution should be followed regarding potentially sensitive topics such as politics, human rights, and environmental problems. Exchanging small gifts is very common among business partners as symbols of relationship. It is essential to bear in mind that it is the intention that matters, not the value of gifts. (China Biz Consulting 2011.)

Hierarchy influences all Chinese business relationships and equal seniority of counterparts are emphasized. When asked the title for a meeting or formal introduction it is the title that counts. Before any meeting, an agenda should be presented hence in this way some control over the flow of the meeting will be gained. The Chinese approach meetings differently, beginning with minor or side issues and attaining the core issue piece by piece. Just such as in Finland meetings must be settled in advance. Some literature or detailed info regarding the Chinese counterpart should be studied. (Pietarinen 2014, 36.)

Attendees of the meetings are usually escorted to their seats. Seating follows the descending order of rank and senior team members are seated opposite of top members of the visiting organization. Written data or memos should be offered in both English as well as simplified Chinese, and the colour arrangement of the visual materials play a vital role. For foreigners, the language barrier might be overwhelming when they want to extend their relationships with the Chinese organizations. Most of the Chinese have poor or any English language skills at all. It can be expected that most Chinese senior managers only speak their mother tongue and cannot communicate in English well enough at the business level. Therefore, if anyone in the home organization does not master Chinese, a good interpreter is needed to convey the message precisely without fear being misinterpreted. It is common that both parties, Chinese as well as foreigners, are accompanied by their interpreters to avoid any misunderstanding or bias. It is suggested that the interpreter should be familiar with both organizations, cultures, languages as well as aware of the vocabulary used in that field. (Pietarinen 2014, 36.)

In China, it is essential to consider hierarchy also in the negotiations and in situations such as in the order of handshaking, talking and seating. The distance between the superiors and the subordinate is much more significant in China than in Finland and delegating from a manager to subordinates is much less frequent in the Chinese work community. According to Chinese thinking, deception of people is also allowed and ensuring the truth concerning the business deal is the other party´s own responsibility. (Nojonen 2008, 165-168.) In the negotiations, the Chinese use different tactics. When agreeing to the negotiations, Chinese usually want to control the negotiation venue, as well as

the timetable for the negotiations. Quite often Chinese also pretend to conduct negotiations with a third party to lure the other one to sign a contract faster, or perhaps with looser terms. (Pietarinen, 2010, 100 – 101.) According to our own experience, when the negotiations take place in China, it is not unusual for the Chinese to hire some random, unknown foreign nationalities living in China to the meeting venue, just as properties or as an indication as well as proof of the organization's internationalization. During the negotiations, it is also typical to praise friendship and plead for the treaty to ease the conditions in the name of friendship. Foreigners are easily mistaken to think that this means strengthening the co-operation, but in reality, it has nothing to do with relations. It can only be classified as a flourish. Although the Chinese are trying to be without showing their feelings, sometimes anger or exit of the negotiator may occur if it is believed to improve the negotiation result. (Pietarinen 2010, 101.) Negotiations with the Chinese party should be prepared really carefully in advance. During the negotiations, possible internal arrangements of the organization should not be explained, nor the details of any products or used techniques should not be revealed at an early stage (Pietarinen 2010, 102).

The Chinese are particularly helpful and courteous especially for foreigners; therefore, the use of the word no is also complicated for them. Usually, a refusal is regarded as the inappropriate and uncomfortable situation between the parties. In this context, we can also talk about losing face, if the foreign guest's wishes cannot be realized. Instead no, Chinese will use a suitable expression which should be interpreted as refuse. (Pietarinen 2014, 35.) The word yes also has a somewhat abnormal meaning in Chinese communication. Yes, does not necessarily mean that the matter is settled or even understood. Instead, it should be noticed mainly that the counterpart has noted the message. In the same way, nodding head cannot be interpreted as an indication of understanding. Moreover, understanding of the issue should be ensured with the help of follow up questions, especially if negotiations are conducted in English. (Pietarinen 2014, 34.)

As the globalization of business joins administrators more often together, there is an affirmation that anything cannot be underestimated. The written agreement is translated easily from language to language and a Finn, a contract

is a formal document. Signatures give it a sense of finality, and it should adhere. However, Chinese regards a contract as a starting document to the relationship meaning the contract might be rewritten multiple times and even modified as circumstances require. (Lewis 2010, 6; Steers, Sanchez-Runde & Nardon 2010, 232 - 235.)

Finnish see themselves as ethical, but in China ethics, as we see it, can be turned upside down. When Chinese bend the rules or circle around some laws or regulations, they do not believe themselves corrupted or immoral, nor admitting any illegality. In China, there are many areas which not readily confirm an existing set of rules. For Chinese, in these situations, shortcuts are the only intelligent course of action. In a country where excessive bureaucracy can hold up business for months, rendering a favour for an administrator is a matter of common sense. So as this could be considered as a standard business practice among Chinese, it might also be happening in Kemi. (Lewis 2010, 6.)

In an intercultural setting, the concept of common sense needs to be treated carefully; hence common sense is derived from experience, and it is always culture-bound. In Finland, we form a strict queue and wait our turn patiently to get on a bus. However, in China, it is common sense to get on the bus before the others. (Lewis 2010, 6.)

For a Finn, the truth is the truth, and for a Chinese, there is no absolute truth. In China where no one must face exposure, be confronted or lose face, the verity is a dangerous concept. Strict observance of the truth would damage the harmony of the relationships between individuals, companies and entire parts of society. Consequently, the idea of truth is evident for both parties, only the notions of it are different. (Lewis 2010, 1 – 5.)

4.2.3 Wheel of Culture Map

The Wheel of Culture Map, presented in Figure 15, recognizes cultural determinants that form the ways members of communities bargain for their interests and respond to disputes. It helps to develop an awareness of how cultural differences influence problem solving and negotiation. This kind of an outline for evaluating the influence of cultural differences on negotiations can be

valuable for understanding both own and the other cultures. (Moore & Woodrove 2004.)
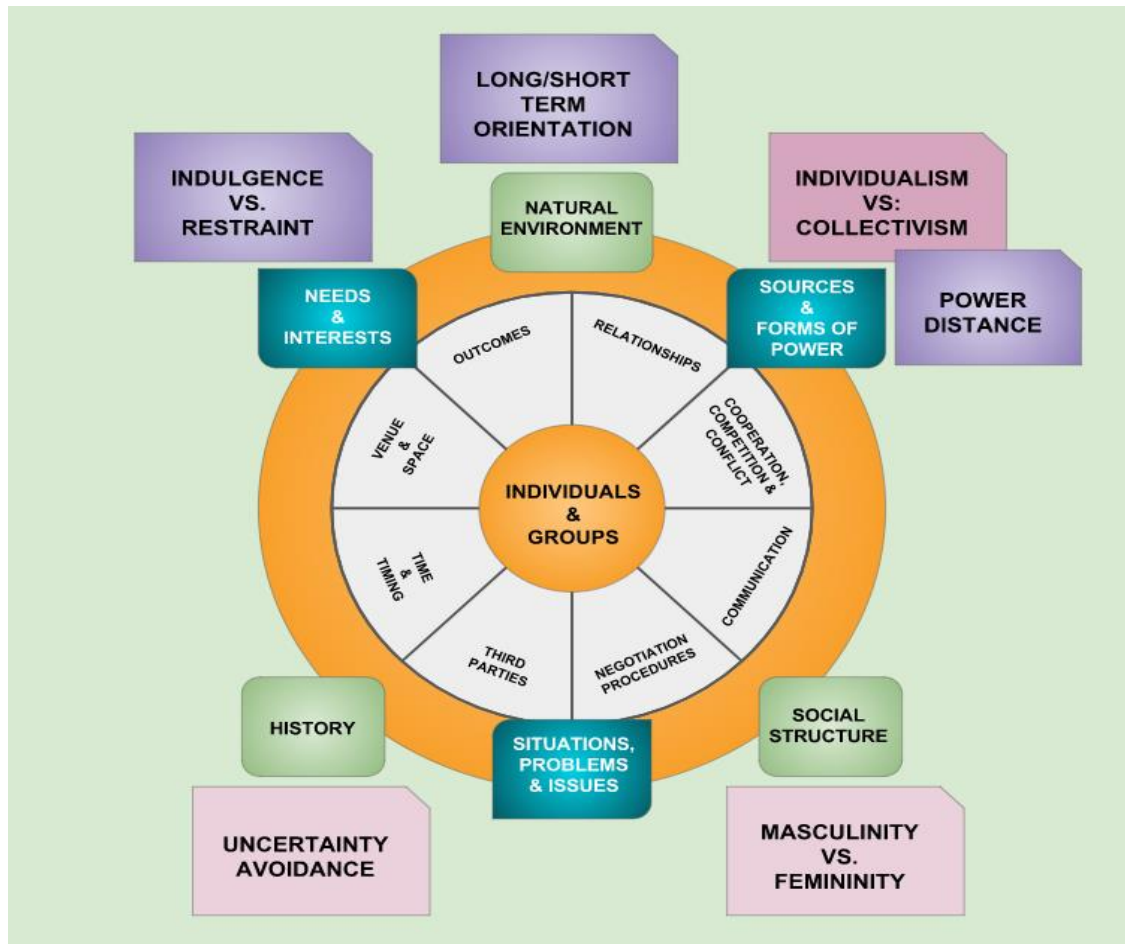

Figure 15. The Wheel of Culture Map (Moore & Woodrove 2004)

As is seen in Figure 15, the Wheel of Culture Map is a tool used to explore the influence of cultural differences and attitudes, behaviours, and beliefs towards negotiation. In a hub of the wheel, individuals and groups which interact when problems are to be solved, negotiations conducted, or disputes resolved are presented. In general, cultures can be defined how much emphasis their members put on the individual, or on groups or collectivities. Cultural analysts, such as Hofstede (1982) have portrayed this as the continuum of individualism or collectivism. Finnish culture is oriented toward individuals, and that is why individual autonomy, initiative, creativity, and authority in decision making are valued. In Chinese culture, which is more oriented toward collectivism cherish

and emphasize group consistency, harmony as well as a decision-making process that involves discussion with colleagues before the decision. (Moore & Woodrove 2004.)

The Inner Rim, where the individuals or groups engaged in negotiations each demonstrate situations, issues or problems they need to address. It also demonstrates needs or interest they wish to have met in the outcome of problem-solving, i.e. the sources of power and influence. The Outer Rim identifies the significant peripheral elements that have an impact on specific group's cultural approach to negotiations or conflict resolution. These elements include issues such as actual surroundings; past, incidents, trends, and adaptations that have taken place over time. It also involves social structures - both intangible and tangible which are created to adapt or to survive in the surrounding natural environment. These three factors continuously influence to one another as well as to the individuals or groups who are members of the specific culture. With the intention of understanding people´s decisions and actions, it is advantageous to apprehend the way the natural environment, as well as history, have formed their values, views, behaviours and social structures. (Moore & Woodrove 2004.)

The spokes characterize particular culturally-based patterns of belief and behaviours that impact the exchanges among persons and clusters. The spokes consist of cultural beliefs, attitudes, and behaviours concerning: establishing, building and maintaining relationships, orientation toward co-operation, role in a relationship as well as trust. (Moore & Woodrove 2004.)

4.2.4 Communicating Across Cultures

Steers, Sanchez-Runde and Nardon (2010, 232 - 235) remind that when need to communicate with people from different cultures increases, it is fundamental for any organization or manager to learn how to articulate the same thing in several different ways. No communication style is neither good nor bad in itself, but a different style is more or less appropriate to specific situations. The fluent speaker who can communicate in different ways is also able to solve problems

easier and engage in fruitful relationships with multiple cultures as the meaning is conveyed and understood more easily.

Regardless of the culture, it is essential to be understood when trying to communicate with others, and failing to do so might be incredibly frustrating, and non-productive as well. The realization that despite the best efforts the message was met with inaction or actions that demonstrate a lack of understanding can be intimidating. However, what can be done in order make messages more clearly? There are three issues, which relate to message clarity. Those are message content, language clarity, and communication strategy which is also called delivery style. (Steers, Sanchez-Runde & Nardon 2010, 232 - 235.) The challenges and steps toward successful cross-cultural communication are visualized in Figure 16.
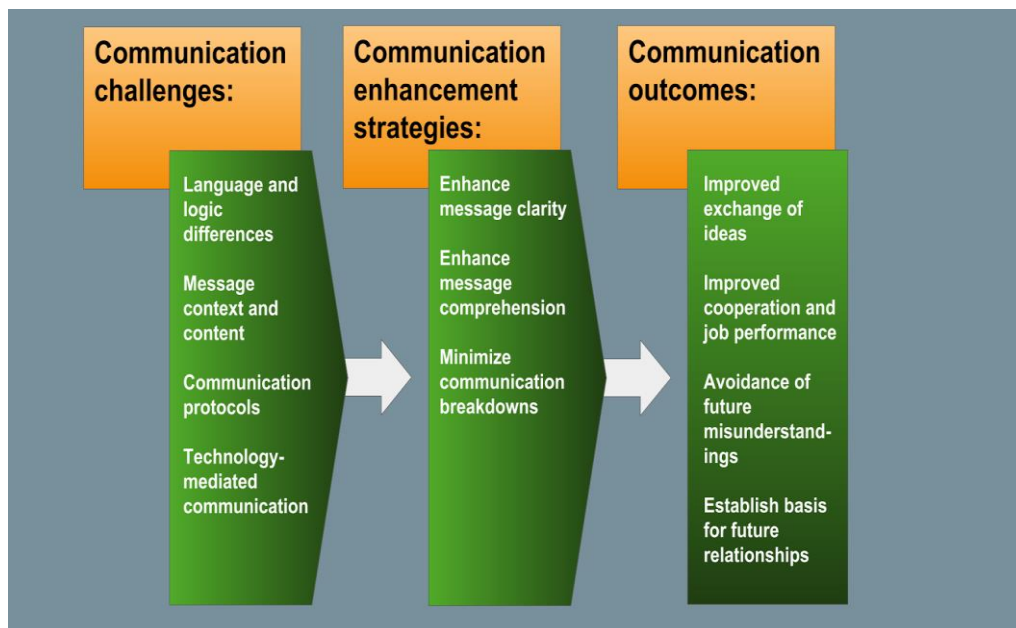
Figure 16. Cross-cultural communication, challenges, and steps towards successful communication (Steers, Sanchez-Runde & Nardon 2010, 232 - 235)

As is seen, Figure 16 has divided communication steps into three main categories i.e. communication challenges, communication enhancement strategies and communication outcomes. The first step towards successful cross-cultural communication is message content meaning to know what is meant to say and to say it is plainly repeating the critical message in different

ways. Sometimes it is helpful to use additional aids of communications such as written material and visual aids to facilitate the understanding of the message. The second step concerns the language clarity. Opportunities for misunderstanding abound in almost any intercultural interaction. In intercultural interactions, there is not often any common cultural logics to help to fill the gaps and make sense of missing pieces of information. Moreover, many times participants do not have the same command of the language or maybe know different variations of the same language using expressions that do not carry the meaning intended. Alternatively, perhaps their communication strategy is not compatible, and a message is not received because of the way it was communicated. The core of this challenge is a language which is used and how it is used. The mother tongue of an individual can often constrain the thoughts and limit what can be said. And the third step is the communication style. Quite often co-operation partners use different delivery styles to communicate. The styles are influenced by people´s cultural backgrounds, personal preferences and the context of the communication episode. (Steers, Sanchez-Runde & Nardon 2010, 232 - 235.)

However, communication styles tend to be significant and sudden changes in such styles can often lead to confusion and discomfort. To communicate better is to become aware of own communication style preferences and habits. A way towards efficient delivery is observing and deciphering the delivery style of our counterparts. Understanding how others communicate helps to interpret what they are saying and gives us insight into how we can adapt our style to be better understood. Alternatively, at least it gives us an indication of where communication problems may occur. (Steers, Sanchez-Runde & Nardon 2010, 232 - 235.)

4.2.5   Hosting Chinese Delegations

Chinese culture emphasises the proper behaviour towards guests. Data from several studies suggest that the Chinese business people, who travel abroad, do not expect to be met with Chinese etiquette. However, the Chinese tradition, naturally becomes part of their expectations when they themselves are the guests. Since hierarchy plays a vital role in Chinese business life, the senior

member of the host´s welcoming committee ought to be narrowly rank to the senior member in the Chinese group. It is suggested that a managing director, for example, could be met by a senior vice director. It is highly recommended that Chinese delegations are greeted at the airport and escorted to their accommodation, provided with a schedule of meetings, other activities as well as being asked for any further requests. (De Mente 2016,158 − 161.)

Usually Chinese visitors would not prefer to rush into any activities on the day they arrive, especially if they arrive during the late afternoon. If they request any activities, however, then those could be organized. On the first complete day, time ought to be assigned to the members of both teams to become familiarized with each other with the help of a sightseeing tour or company visit or a mixture of both. Photos of all the events are highly appreciated. (De Mente 2016,158 − 161.)

If possible, at the beginning of the visit, an invitation to a private home for a dinner to the Chinese delegation would be a unique experience. In this way they could get to see how people live in Finland. Invitations to a private home are quite exceptional in China. At home, they ought to be treated in the same way as any valued guests would be treated. (De Mente 2016,158 − 161.) The typical cuisine for such a private dinner is whatever the area is locally famous for. Guests also expect to experience the local nightlife. This kind of activity could take place during the third or fourth night of their stay. Nightlife refers to cabarets or nightclubs where there is entertainment. If there are women in the group, these settings ought not to include places where they might feel uncomfortable. Whether at home or abroad, Chinese will often attempt to pay bar or nightclub bills when they are invited out by foreign hosts. It is a tested and verified method of developing social credit with people, especially unwary foreigners. The foreign host is advised to make a specific arrangement of paying the bill before the evening ends. Same procedure as in China needs to be executed. (De Mente 2016,158 − 161.)

Whatever the purpose of the meeting is, the usual legal and moral procedures ought to be followed that are desirable in any business relationship. The same customs regarding introductions, and chatting before a meeting can be

followed. In a meeting seating should be arranged so that the hierarchical seating order follows the same on the opposite side. Any relevant material that the Chinese have not already received should be on the table, along with a packet of information about the local city. A lower ranking member of the hosts should be charged with the responsibility of asking his or her equivalent, on the Chinese team, in advance if there are any special request for refreshments. Providing refreshments is important. If the guests are asked, they are likely to give a negative answer concerning the refreshments. This could be seen as more ritual than a fact. Chinese usually prefer tea or hot water instead of coffee, but all three could be served. If coffee is served, milk and sugar ought to be available as well. Another option of refreshments would be to place a bottle of water at each seating place. Please note that the water ought not to be chilled. Snacks are not necessary, but fruit and cookies are usually well received by Chinese guests. (De Mente 2016,158 – 161.)

The senior member of the hosting team is required to make some welcoming statements and comments, thanking the Chinese for making the long trip from China. Moreover, it is briefly stated what they hope to achieve during the meeting. Thus, an opening, which should not be hurried, is recommended to be used as an opportunity to reintroduce all the members of the meeting. Profiles of members educational backgrounds and working experiences ought to be given, information that should also have been sent to China in advance, allowing the Chinese to connect the information with the face of the individual. The host is also suggested to make a point of acknowledging the astonishing economic and social progress that China has achieved so far as well as presenting personal delightfulness that China has regained its position. Some research on the company or organization of the guests ought to be done to make equally complimentary comments about it referring to specific things. (De Mente 2016,158 – 161.)

Even though the Chinese partners would sign the contract, it does not mean that the transaction is done. However, the conventional Chinese business practices are usually neither practical nor rational according to Finnish standards. It does not seem sensible for foreigners to respect any Chinese business practices that are unfavourable and restraining to both parties, when

not in China. Choosing the language of a contract with Chinese co-operation partner is extremely important. Overall, contracts across the border between two countries elicit many issues afar from local ones. Contracts with Chinese require attention if they are meant to be both technically reliable and sensible in practice. Therefore, the language used in contracts with Chinese partners is essential. (De Mente 2016,158 – 161.) Even though there are still cultural differences and official rules and requirements to tackle. However, it can be done with persistent but diplomatic attitude as well as with extraordinary patience. (De Mente 2016,158 – 161.)

The Chinese guests will probably want to host a farewell dinner party, but this will usually be informed in advance. If not, a plan of the evening activities will be revealed soon on the arrival day. Closing the farewell dinner is a good time to hand over the gifts, allowing time for them to pack away before the group leaves the next day. The foreign host is recommended to designate a small delegation to see the Chinese guests off at the local airport. Again, keeping in mind that the hierarchy counts and by adhering to this protocol face are gained and given. (De Mente 2016,158 – 161.)

4.2.6 Silence

In different cultures, silence can be interpreted in a variety of ways. In China and Finland silence is not equated with failure to communicate, but instead, it is considered as an integral part of social interaction. An old Chinese proverb says: "谁知道不说话; 这些谁说话都不知道," i.e. those who know do not speak, those who speak do not know. (Lewis 2010, 7.) Particularly in China, what is not said is regarded as necessary due to the high-context Chinese culture. When communicating, the speaker and listener consider variety of background circumstances such as the face, relationship, and hierarchy. Therefore, the interaction is more indirect and forces an audience not only listen, but also read between the lines for hidden and yet unexpressed meanings. Consequently, in international and multicultural environments it is essential for businesspeople to consider the implication of expression in different words carefully. What is said may be grammatically accurate or erroneous in the extreme, but it will be coloured by the person's view of reality, which is itself influenced by the rigidity

of his or her language structure. (Lewis 2010, 11.) Lewis (2010, 8) reminds many linguists to adhere to anthropologist Benjamin Whorf 's hypothesis, that the language we speak mostly determines our way of thinking, as well as our behaviour. People in different cultures may share a collective experience, but it appears as a colourful flux of impressions that must be composed by the psyche. Hence the mind does this mainly through language, so we end up seeing entirely different things. A fundamental concept is seen in entirely different ways by Finnish and Chinese; hence the origins are diverse.

4.2.7 Guanxi - Chinese Networking

Chinese values have shaped the social standards, such as guanxi, which oversees people`s behaviour alongside the laws and rules. These social factors include attitudes towards time and individualism. Therefore, the impact is also seen to reflect on working life. In China, social interaction has an incredible lot of value, but guanxi is one of the most relevant factors for the business. (Nojonen 2007,4.) Nojonen (2007, 4) ponders the importance of guanxi and describes it as a strategic success factor and a dynamic force in the Chinese business world. Liu and Roos (2006, 432-433), define guanxi as links, current obligations, shared trust and a series of complementary services, whose nature is long-term. Luo (2007, 41-42) presents Chinese networking, guanxi, as a form of social capital, aiming to create short or long term economic value with the help of flexible, organizational network. Achieved social capital includes an obligation, which nature is not economical, but rather an obligation of complementary services. Besides, this gained social capital is not self-evident, it is the outcome of continuous strategic actions to create or strengthen social relationships. Though the significance of guanxi has been diminished, it is still a critical factor in the business planning and management, especially if the other party of the cooperation is Chinese. In China, business is created and managed in the affiliate networks, which are built based on kinship as well as friendships, which have been established and refined already during the previous generations.

Nie (2016) argues guanxi is a significant aspect of Confucian thinking, referring to the magnitude of the community for Chinese. Nie (2016) describes guanxi as

an interactive relationship between two litigants, distinguished by regard and mutual engagement. Nie (2016) also parallels guanxi as a private channel through which people interact and exchange their concerns. Emotion and feelings of anxiety have a significant role in guanxi. Concerns are a particular kind trade-off, which also manipulates the nature of leader-member liaison. A famous proverb "Whom you know is more important than what you know" pinpoints to the foundation of guanxi. Private guanxi involves a top-level of confidence and esteem among parties who share it, while the others are excepted from the social web. Goh and Sullivan (2011) describe that on a fundamental level, guanxi is about building a network of mutually beneficial relationships and connections which can be useful for personal or organizational purposes. Furthermore, Nie (2016) sees guanxi as an interpersonal relationship. Guanxi could be compared to the significant, robust operating system when interacting together. In China, guanxi plays a significantly more critical part than any of the connections in the West do.

A local contact network is a lifeline for companies in China. Thus, the importance of networks has also been emphasized elsewhere in the world. However, relations in the Chinese collective culture have an extraordinary position. Thorough understanding of the subject is difficult in our individualism centered culture, where things are prioritized before the relationships. (Rutanen & Arho-Havrén 2010, 115.) Lindström (2010) stresses that a prerequisite for real and efficient co-operation is confidence, which can only be built within time. Guanxi, which is an essential way of doing business in China, means relationships and networking. In-depth understanding of guanxi for foreigners is hard because its working methods differ considerably from Western networking. (Rutanen & Arho-Havrén 2010, 115.) Liu and Roos (2006, 433) define the main elements of guanxi as connections, general obligations, essential trust, reciprocal services, and longevity.

Guanxi´s significance in China has developed because of the cultural implications of the rule of law and the concept of the face. For centuries, China has lacked a firm rule of law. Since the law has not been able to provide the legal protection which it does in our society, Chinese needed to develop another means of ensuring trust amongst themselves in personal as well as in business

matters. Looking after face, or notoriety, among individuals inside one's network, is likewise typical for Chinese culture. In light of the significance of maintaining the face, Chinese people will ordinarily not exploit a man with whom they have guanxi. It is evident because on the off-chance that they create guanxi with them and they were to use them, the majority in their network would recognize what they had done, and they would lose face within this system. By losing face, they would likewise lose the respect of others in the group and possibly lose their connections in the network. Therefore, guanxi has turned into methods for building trust that law cannot provide for Chinese individuals. (Goh & Sullivan 2011.)

Goh and Sullivan (2011) reminds guanxi is a crucial part of co-operation in China and with Chinese. Having solid connections alone will not guarantee the needed capacity to accomplish business objectives in China. Guanxi can help opening entrances and find new opportunities, but still, the organization needs to have a high overall business operation to be successful. Backman and Butler (2007, 80 - 83) argues that also foreigners might utilize Chinese networks, even if it is time and resources consuming to build. However, it is well worth the investment. Building guanxi is so vital to any successful strategy. Through the guanxi, organization minimizes problems, barriers, and risks hence relationships can operate as information, marketing, and PR channels. Furthermore, Chinese are obligated to do transactions with their friends first. Therefore, organizations with extensive networks usually have much higher performance than those with little or no. Trustworthiness and keeping promises are fundamental elements of guanxi network. When organizations are involved with guanxi, there are specific risks with this system as well as always a risk of misinterpretation or misuse. When something fails, then the relationships are tested, and some friendships may quickly fade away. Sometimes guanxi might also be one-sided. In that way, the critical issue is the nature and depth of the relationship, not the quantity. (China Biz Consulting 2011.)

According to Wong and Leung (2001, 54 – 55), Transaction Cost Theory is one of the primarily utilized theories in management as well as in economics. The focal point of the theory is on clarifying how different organizations organize businesses. An extensive range of strategic assessments of organizations,

such as partner selection efforts, can be analysed and understood using transaction cost theory. If the relationship building is considered from the Transaction Theory´s point of view, it can be seen that the contrast between Chinese and western view are quite evident in relationship building and choosing a network where to operate. Chinese emphasizes friendship more than their Finnish counterparts, and they treat a relationship as a means to competitive advantage. On the contrary Finnish focus, more on profits and other business dimensions such as return on investment. Moreover, western Transaction Cost Theory emphasizes fragmented societal values while the post-Confucian dynamic approach focuses more on disciplined and cohesive values. Wong and Leung (2001, 54 – 55) define that western prefer so-called mind management while Chinese emphasize more so-called heart approach.

Guanxi can be generated through various approaches and sometimes it is offered voluntarily. those taking part in the acceptance of guanxi are required to return given favours measured on the amount of previously accepted favours. Guanxi appears to involve an element of trust due to much business in China rotates around loops of personal and mutual trust. Consequently, every outsider must take the time and effort to form relationships which are a significant obstacle for western organizations trying to enter the Chinese market Connections made through guanxi must be sustained to confirm proper arrangement for future achievements. The Chinese and Western cultures manage business contrarily; even operations seem to be the same. With a strong guanxi, the organization is considered confidential and even privileged. This kind of relationship stretches out concerning not only companies but also individuals at a personal level on an ongoing basis. Establishing guanxi with the eminent administrator is useful, although Chinese companies are increasingly surviving without government subsidiaries. However, many foreign companies still need strong relations with régime officials; hence almost all procedures will be accelerated as well as more inexpensive with the right connections. (China Biz Consulting 2011.)

Goh and Sullivan (2011) point Chinese prefer to deal with people they are acquainted. It is similarly essential for foreign organizations to create solid guanxi with Chinese organizations and government associations. This guanxi

will enable the organization in case, that they run into problems working together in China. Additionally, Chinese groups will feel more comfortable working with the team that they have solid guanxi with, either because the healthy relationship has been built with them or someone in their network has presented outside the organization to them. China Biz Consulting (2011) points out that the firm dependence on a relationship means that western companies have to make themselves well known to the Chinese before any activity will occur. The nature of relationship refers not merely the one between organizations but also concerning involved parties at a private level. The relationship is an ongoing process, and the organization has to maintain the relationship if it wants to produce actions with the Chinese counterparts.

Nie (2016) claims Chinese guanxi merges to the face concept, which she defines as person's public image. Consequently, in China, a person's reputation in a social network is everything. If someone behaves unacceptably, the person's face still needs to be held in public. As a result, Chinese tend to compromise and avoid open direct conflict. Finnish usually prefer more confrontation and communication. If a Chinese person loses her or his face, the humiliated individual cannot continue to interact, and the relationship comes to an end.

In reality, the ethical status of guanxi has caused quite a lot of debate. According to Nie (2016), Bedford (2011), refers to the term back door, clandestine guanxi, reflecting the activity of consulting business resolutions through one's particularistic guanxi network. Inappropriate use of guanxi may lead to corruption. If the stress of guanxi is only of the material or financial advantage, can be considered as bribery. The line between guanxi and corruption is often blurred hence Chinese people are more likely to bribe with gifts rather than cash. That, allegedly, makes it ethically more difficult to identify. As a form of social capital, guanxi stresses mutual interest and goals in relationships, such as leader-employee relationships. The Western manager has to understand the motivation, purpose, and likely outcome of the relationship with Chinese and know how to use guanxi appropriately and ethically. If the base of the relationship is only on opportunism, producing beneficial results for the manager, problems are expectable in these relations. N

While developing guanxi is essential for business in China, it is not automatically so easy to develop the connections, in particular for a foreigner or foreign organization. A person, who is familiar and feel comfortable with the cultural niceties of developing guanxi, would be the best to be responsible for developing the relationships. If the relations are essential to the organization, Kemi should consider hiring someone experienced working with the Chinese to find new contacts and possible new co-operation partners on Kemi's behalf. Usually, this kind of understanding requires being full-time and having a long-term presence in China. The PR representative of Kemi should meet the Chinese counterparts in both formal and informal settings with potential and current customers to develop healthy relationships. (Goh & Sullivan 2011.) According to our own experiences as well as observations, a native Finnish person with experience from China, would be an excellent choice. In this case, a native Chinese would be considered to be the best or obvious choice, but as Pietarinen (2014,36) reminds it is also widespread that the Chinese PR person abuses the position and name of Kemi on his or her behalf and tries to gain own economic benefit. (Zhou, 2015.)

4.2.8   Face Concept

In terms of Chinese culture, the faces are not those that each of us concretely owns, but abstract faces. The Chinese face concept closely links to the social guanxi network. Preservation of the face in all situations is significant for Chinese. In this manner, each private person´s, group´s and as well as companies´ ability to grow and nurture their extensive personal relationships and networks to attain their own goals, is emphasized. Any action that damages the faces will also reduce the number of the social credit earned in the system. The values of individuals and the social position are thus entirely dependent on each other. Loss of face is reflected not only in the entire family but also to the other close relationships. (Rutanen & Arho-Havrén 2010, 118; 2010, 52; Goh & Sullivan 2011.)

Chinese culture tends to deal with situations calmly and diplomatically. Producing open disagreements, encounters, or any situations that humiliate others is considered a face lost. After losing face, business practices or

interactions with each other may no longer be a possibility. To prevent losing face, Chinese businessman is non-confrontational and avoid showing their disagreement or displeasure. A Western business person should learn how to peruse these backhanded messages. Likewise, they ought to avoid losing their temper and forcefully squeezing Chinese counterparts who have indicated hesitancy in giving an authoritative response. (Rutanen & Arho-Havrén 2010 118; 2010, 52.) The concept of face is still a fact in today's Chinese society. In China, the whole community, including businesses, is still dependent on social trust. (Rutanen & Arho-Havrén 2010, 118; 2010, 52.)

4.2.9 Tolerance

Tolerance is a virtue while working with Chinese. Chinese are hesitant to work with individuals they do not know or feel right. Additionally, it may take more than one meeting before to start actual, practical details or any arrangements. Some Chinese organizations can be bureaucratic. It mainly takes a while for senior administrators to achieve a decision. Quite often, the actual decision-maker might even not be present at starting gatherings. On the other hand, the sagacious Chinese businessman with experience in doing business with Europeans, may even intentionally extend arrangements, realizing that anxious westerners will quite often offer concessions to accelerate the business deal. It should also be considered hence Kemi is eager to lure more Chinese businesses into the region. (Rutanen & Arho-Havrén 2010, 118; 2010, 52.)

5 IMPLEMENTATION OF THE STUDY

The research was carried as a qualitative case study. In a case research, there are several methods for collecting data. An individual theme interview was selected as one of the collecting methods hence it prevents the possible effect of the employee, colleague and the supervisor relationship from the answers. It was also concluded that an individual interview would be the most convenient since the interviewees already knew the interviewers, consequently the enthusiasm was avoided which on the other hand gave more reliable answers.

The main source of empirical material for this research work was the theme interviews conducted in Kemi and the interviewers' actual observation in China and Finland. The literature for the Thesis is primarily acquired from Lapland University of Applied Sciences Library as well as from the Internet. Some Chinese-made publications have also been acquired from China to get a Chinese perspective on research. The source material used in this research derived from published, the most up-to-date studies. Nevertheless, some of the older works and surveys were also used as source material. However, the used older material could be regarded as internationally significant works in the field. (Kananen 2010, 53 – 56; Myers 2013, 122 – 123.)

The interviews were based on previously conceived themes and questions of which varied from general to more detailed. The order of questions was changed during the interviews by the interviewer when needed or always when new topics emerged. When the research is to gain experience based information or to deepen knowledge of a subject and related factors, the theme interview is used. Here, queries or ready answers options could have limited the answers given. For the success of the research, it is vital that the interviewees could openly share their opinions in the interview situation. Eventhough interviews were conducted in conversational situations, all the themes in the discussion were still essential for research, which aspects are emphasized in the literature. (Kananen 2010, 53 – 56; Myers 2013, 122 – 123.)

Another method of collecting the data was the individual observation of the researchers. Observation can only be an external observation while the

researcher is not self-participating in it, but it may also be actual observation, a situation, where the researcher actively participates in the event to be investigated. (Myers 2013,137; Kananen 2010, 49.) Kananen (2010, 48 - 49) explains that observation offers genuine and undistorted but diverse information to its collector. Observing the amount of material collected depends on the investigator's familiarity with the matter. If a researcher already knows the purpose of observation in advance, he can concentrate only on that phenomenon (Kananen 2010, 51).

The principle of theme interviews is the transparency of formal issues. Nevertheless, to succeed in interviews, it is essential that the researcher strives for as much as possible information in detail to identify the needs and starting point for the research. One characteristic of a thematic interview is that the interviewees have individual experiences of the subject under investigation or phenomenon. Besides, the researcher is required to have a preliminary knowledge of the processes studied and the phenomenon in its entirety. Based on this, the researcher has already a preliminary, existing, understanding of the phenomenon which then acts as the basis of the interviewing body, i.e. the interview progresses inside the framework defined by these themes. (Kananen 2010, 56.) Kananen (2010, 56) warns that the themes should not be stiff, but the interviewer should be flexible and allow the interviewee to talk more extensively. However, the themed questions are a guiding factor of the interview focusing on the main topic and the theoretical concepts. The vitality and change in turn of the interview as it progresses promotes positive interaction and motivating the debate to be transparent and interviewees to share their own experiences.

5.1   Limitations of the Study

In advance, there were some acknowledged limitations concerning research and writing of this Master's Thesis. Because it is difficult to get specific information on Chinese companies and their strategies, we had to rely principally on previous academic research, our own experiences and literature reviews. In the management of Kemi, there are only a few persons who have some knowledge of existing Chinese investments in Kemi. Furthermore,

common sense had to be used when referring to Chinese sources. Hence those sources were trying to present the ideal overall viewpoint. Both writers of this Master Thesis have solid personal experience and knowledge of China. Therefore, the researchers' views tended to turn to the direction of Chinese point of view. However, since in this research the perspective had to be the opposite, some issues can be considered as limitations. Besides, since both interviewees preferred to conduct interviews in Finnish instead of English, some interpretative dissimilarities between answers and translation may occur.

5.2   Research Results

Analysing the answers started from Mayor Nissinen and were followed by the answers of the Administrative Secretary. The first thematic section of our semistructured individual theme interview concentrated on questions related to research question one. In this section of an interview, the purpose was to find out how do the interviewees interact with the Chinese and if there are specific ways to improve interaction. Furthermore, the potential challenges of interaction and communication were explored from the viewpoints of the interviewees. The second thematic section of our semistructured individual theme interview concentrated on questions related to research question two. In this section of the interview, we were trying to find the opinion of the interviewees about the vision and the strategy of Kemi and how the vision and strategy meet the expectations of Chinese companies. The third thematic section of our semistructured individual theme interview concentrated on questions related to research question three. In this section researchers tried to detect the possible benefits of the B&R to Kemi and local entrepreneurs according to the interviewee's opinions. In addition to this question, researchers tried to reveal if these benefits could be achieved through co-operation and existing relationships.

When analysing the responses of Mayor Nissinen, it is clear that he is well aware of Chinese mentality. As far as communications are concerned, the Mayor sees that it has been mainly uncomplicated and direct. The City of Wuhan has its international department to maintain the connections abroad and is able to show professionalism and international expertise in its operations.

Communication takes mainly place in English, but during the visits, the Chinese have sometimes also used an interpreter. According to Mayor Nissinen (2017b), there might have been some confusion at the beginning since the Mayor himself has sent emails and communicated directly to the contact person of the international department. This is not a standard or typical practice in Chinese business or organizational culture since in Chinese hierarchical culture, contacts and communication should be made between persons same hierarchical levels. In a Chinese organization, direct contacting between a senior hierarchy level person and an executive level person may lower the respect and appreciation of the senior hierarchy level person. It may even offend the Chinese partner who is at the same level in the hierarchy. Based on the observations and expertise of researchers, this is most often the case, though it may not necessarily be directly exposed to the person concerned. Mayor Nissinen (2017b) emphasized in an interview that he had explained to the Chinese counterpart Kemi's practices in communication. It is not uncommon for the Mayor of Kemi to handle the contacts without the secretary. According to Mayor Nissinen (2017b), if this practice has caused some problems in the beginning, everything is fine now.

Communication between Kemi city organization and the international department of the City of Wuhan is quite frequent. The Mayor is in contact with the Chinese partners regularly every couple of weeks. The contacting frequency between the Kemi Administrative Secretary and the international department of Wuhan City has been around once per month. For arranging visits, communication is closer and frequent. (Nissinen 2017b; Administrative Secretary 2017.)

In the interviews, it became clear how much the hierarchy impacts on the communication and the communication style. Similarly, the hierarchical level of the communicator in the organization also affects the response rate. The same person is quickly answering the Mayor's contact, while answering questions from the Administrative Secretary may take longer. According to the Administrative Secretary (2017), part of her posted questions may be such in which the hierarchical counterparty level is not high enough to respond, and the matter has to be confirmed from the higher level. It may also be the cause she

has not always received a direct answer to inquiries. Furthermore, she has noticed that there has been miscommunication or misunderstanding over agreed matters. Kemi understood that the matter has been agreed and finalized while the Chinese party has been under the impression that there is still room for discussion.

According to Mayor Nissinen (2017b), the relationship with the City of Wuhan is much closer and more communicative than with other twin cities. This might be caused by the fact that the relationship with the City of Wuhan is new and involves essential aspects of co-operation with China, both in business and in the cultural sphere. At a detailed level, co-operation with the City of Wuhan has been in the form of bilateral visits. In February 2017, Deputy Mayor of the City of Wuhan came to visit Kemi, during which time the agenda of the discussions included tourism issues and Kaidi issues. At the moment the form of the relationships has been, if excluding the Kaidi issues, cultural orientated and social friendship-based interaction. In summer 2017 school and student exchanges have begun. The opening for this was done by Kemi, sending in summer 2017 two high school students to Wuhan Summer School. Spring of 2018, the City of Wuhan will send a group of schoolchildren to Kemi. Mayor Nissinen has visited the City of Wuhan twice during 2017. In October 2017 Kemi arranged an economic seminar, China, and Finland together; for future-oriented co-operative partnership. The next visit for the delegation of the City of Wuhan and business representatives is scheduled for spring 2018 for the second seminar in Kemi.

Forms and opportunities of co-operation are now being studied at various levels. For example, the circular economy, cleantech, and wood construction are issues that have now been taken also on discussion agenda. However, Mayor Nissinen (2017b) emphasizes that while cultural exchanges are necessary, the business aspect must always be involved. Co-operation in business field has become increasingly popular within the co-operation agenda. When analysing the interaction relationship between Kemi and the City of Wuhan through the above-discussed forms of co-operation, reciprocity of the Chinese culture is revealed, and it should not be forgotten when creating a China strategy for Kemi. However, it is good to note that communication in

business matters with Kaidi takes place directly with Kaidi Finland and the social interaction is more focused to the head office of Kaidi in China.

The Mayor has had a particular kind of preconceived image about the Chinese as partners and in general. Anyhow, the image has been more favourably as usually expected in the Western country. Now that he has had more interest, and interaction with China and its culture, his preconceived image of the Chinese has completely changed. Mayor Nissinen is especially fascinated by the systematics and tenacity of the decision making and the efficiency to carry issues forward. Even though the Chinese are known to be culturally long-term orientated, some issues are decided on the last minute. It has been somewhat unexpected and has caused some problems for both parties. In creating the new City Strategy, Kemi also strives to increase the methodicalness and long-term vision of its international operations. This thinking model and other long-term plans have also received a positive response from the Chinese.

Regarding the interaction and relationship building with the Chinese partners, whether they have more personal relationships, relationships between organizations, or both, the Mayor has noticed that contacts are personified city to city or organization to organization contacts, i.e. Mayor Nissinen represents Kemi. The Mayor has sought to establish contacts and social relationships with the persons in a higher hierarchical level. However, such an arrangement is not strange for him, since for the Mayor it is usual to create relationships on a friendship basis. At this phase should be noted that when relationships are personalized, it is unclear what will happen if Mayor Nissinen is not continuing to be a mayor anymore. Zhou (2015), Pietarinen (2010, 102), and Nojonen (2008, 165 - 168) remind that according to guanxi and Chinese business practices relationships are always person-specific and cannot be transferred. Trust building in the Chinese context is always a delicate and time-consuming process. A new negotiator means that the relationship building has to be started from zero, hence the new person is not familiar with the Chinese.

When discussing issues related to second research question with the interviewees, the issues raised by the Mayor have mainly been analysed and discussed in the subtitle 2.6.1 of this thesis on page 39. The Administrative

Secretary raised the same issues as the Mayor, but she also had her views. As Kemi's strength, she as well found from the businesses point of view an excellent logistical position, excellent traffic connections, local expertise in education and know-how of Digipolis as well as internationalization. The weaknesses of the city she pointed out the current negative attitude towards immigrants which can also create resistance toward foreign companies. As a bureaucratic, hierarchical organization the city organizations are slow in decision making. In this context, it is important to note that the new City Strategy of Kemi is trying to take more account of the needs of internationalization. The strategy also seeks to make the city more attractive to Chinese as well as other foreign companies.

When considered what kind of local services and products could be exported to Chinese markets, both interviewees had a slightly different view. They discussed products such as berries and processed berry products as well as other similar natural products as a potential export product from this region on a small scale. Furthermore, Kemi could offer education export and know-how especially in the fields of circular economy and wood construction. Concerning the circular economy and the wood construction, the discussions with Chinese are still in the early stages at the moment. An internationally growth-oriented business sector at Kemi area is limited, and SME companies in this region, do not have any actual potentiality to go to the Chinese markets.

Considering the research question number three, the Mayor has noticed that Chinese B&R initiative has significant role and impact on Kemi and the entire Lapland, only because it meets the needs of the Chinese party. Of course, this demand also benefits local businesses and other business actors in the region. Even though Kemi is a small player for China, Chinese partners have shown more interest to Kemi and raised it to the same level as their more significant partners. At least this is a feeling the Mayor has received during the visits.

6   CREATING A FRAMEWORK OF CHINA STRATEGY FOR KEMI

Competitive strategy is about being different and intentionally choosing a different set of activities. The framework of the China Strategy for Kemi is the co-operation with Sunshine Kaidi New Energy Group Finland Ltd and sister city relationship with the City of Wuhan. These co-operations provide Kemi an excellent opportunity to build a relationship also to the other Chinese authorities as well as create a possible route for businesses of Kemi region to Chinese markets. The China Strategy for Kemi is twofold. It covers co-operation with companies as well as with the government and authorities. The cooperative strategy framework is described in Figure 17.
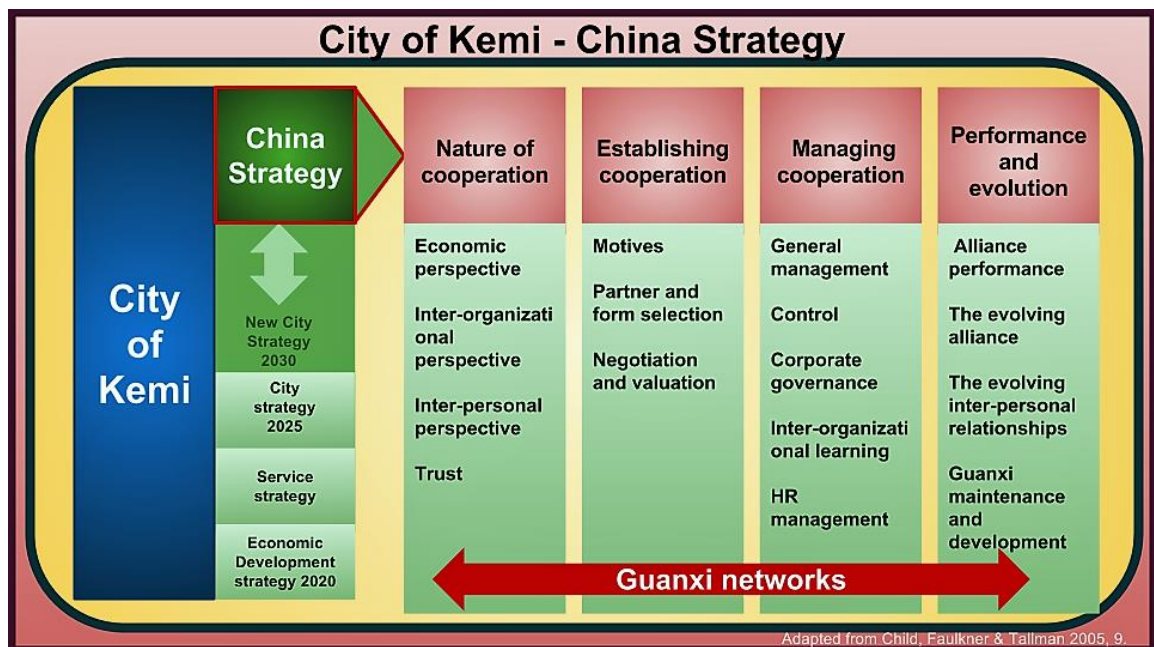

Figure 17. Co-operative strategy framework of the China Strategy for Kemi (Child, Faulkner & Tallman 2005, 9)

Figure 17 indicates that the China Strategy of Kemi should align with other strategies of Kemi. The nature of the co-operation with Chinese differs from others, so in the China Strategy, the interpersonal and inter-organizational perspectives are emphasized followed by the economic perspective on the trust issues. Two core issues go through the strategy. The primary is guanxi network, building, maintaining and developing it. The other is learning in an individual as well as in organizational level.

When creating a new strategy for an organization, in this case, for Kemi, there are five fundamental questions to which strategy should be able to answer. Figure 18 describes these five questions and provides the short five-point checklist for strategy planning.

Figure 18. Basic powerful strategy questions (McKeown 2016, 165)

The primary goal of these questions in Figure 18 is to shape the strategic way of thinking and to clarify what that specific strategy is doing and how it is shaping the future of the organization. (McKeown 2016, 165.)

When two organizations with the entirely different cultural background start collaborating, one of the most important motives for co-operation strategy is learning to organizational as well as individual level as was discussed earlier. Figure 19 portraits the two primary motivational drivers for different co-operative forms.
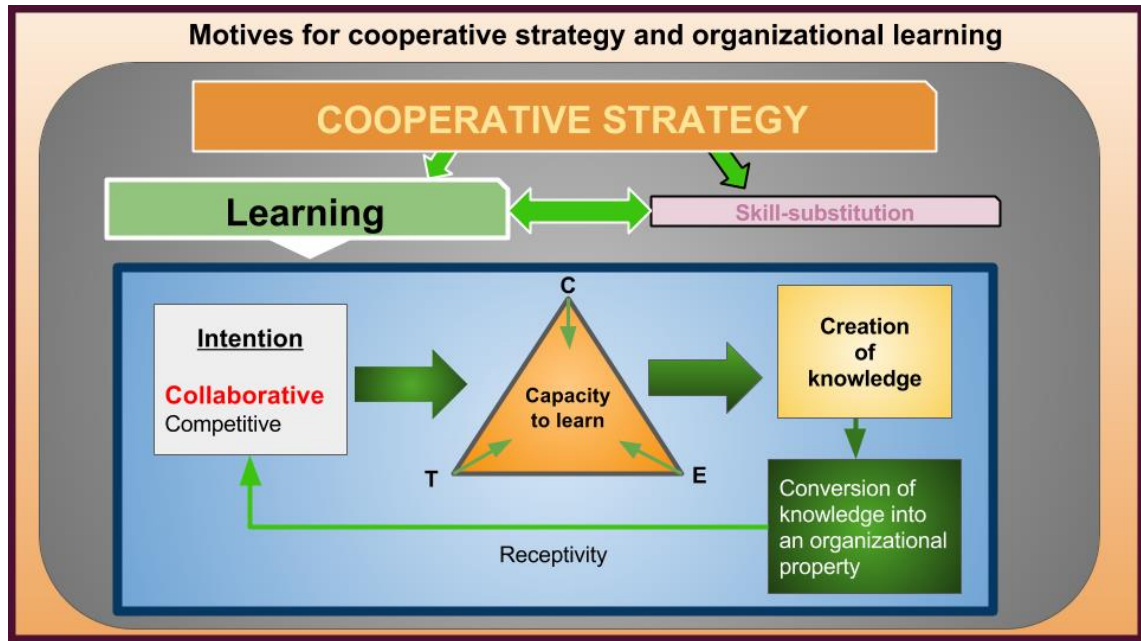
Figure 19. Motives for the co-operative strategy and organizational learning path (Child, Faulkner & Tallman 2005, 110, 283)

Since in this case, the organizational learning, i.e. learning relationship is the chosen path, Figure 19 describes the steps in this path only. Moreover, in this case, the collaborative intention has been raised over the competitive intentions, as the competitive situation is most unlikely to arise in this case. (Child, Faulkner & Tallman 2005, 110, 283.)

When creating a Chinese strategy, it is essential to abandon Western mindset and embrace a Chinese strategic mindset. It mainly involves creating a guanxi network, understanding its multidimensionality and reciprocity. It also requires in-depth understanding that Chinese networks are personal and not organizationally specific. Relationship work with Chinese is long-term and requires continuous maintenance and attention. It is therefore crucial that a person who is chosen to build and maintain guanxi with Chinese be persistent, patient and understands all the dimensions. It is recommended to have two persons already at the beginning of the process to build the guanxi network. Guanxi relationships are not transferable. However, as discussed under subchapter 4.2.7, it is important to note and understand that since Chinese guanxi networks are based on lifelong relationships, it is almost impossible for a foreigner to create an actual guanxi network. As Wang and Chee (2011, 55-59)

point out, guanxi networks are divided into four forms based on their closeness of relationships. These forms are called in descending order jiārén i.e. family, zìjǐrén, i.e. really close friends, shúrén, i.e. distant friends or colleagues and shēngrén, i.e. outsiders in Chinese. Foreigner has some possibilities to enter the shēngrén, i.e. an outsider, guanxi network if he or she is found out to be useful contact or an excellent friend. In practice, foreigners have none or just a little possibilities to enter the other three highest forms of guanxi networks. (Wang & Chee 2011, 55-59.) Wang and Chee (2011, 55-59) argue that there is a way for a foreigner to enter into a real guanxi networks. Anyhow it demands that a person in question, as a person, is considered as a "friend of China," he or she is respected and found valuable. Such a foreigner is perceived as a person who is interested in and respecting China, its culture and customs and strives to create authentic relationships with local people.

According to Fang (1999, 57, 176, 197, 238, 274-275), the Chinese, as in all their daily activities, are very much reciprocal. They will graciously adopt either a co-operation strategy or a competitive strategy depending on how the counterpart operates and what is the trust level between the parties. With the Chinese, there may be either a win-win situation or a win-lose situation depending on the attitude and if there is guanxi relationship or not. A dual-minded model of Chinese thinking both in life and in the business, is based on the implementation of the teachings of the Confucianism or the implementation of the stratagems. Confucianism emphasizes problem-solving skills, harmony and win-win approach whereas stratagems emphasize the Sun Tzu-type aggressive win-lose approach. When combining this ancient philosophy practicing in daily life, into a logical strategic thinking, the Chinese business behaviour has a more transparent framework and perspective. Everything correlates with each other and have a more prominent relevance than what is common in the Western way of doing business. (Pérez-Cerezo 2013, 40-44.)

Figure 20 visualize the difference between Finnish and Chinese, in this case Kemi style looser business environment network compared to more tighter guanxi network related to above discussed issues.
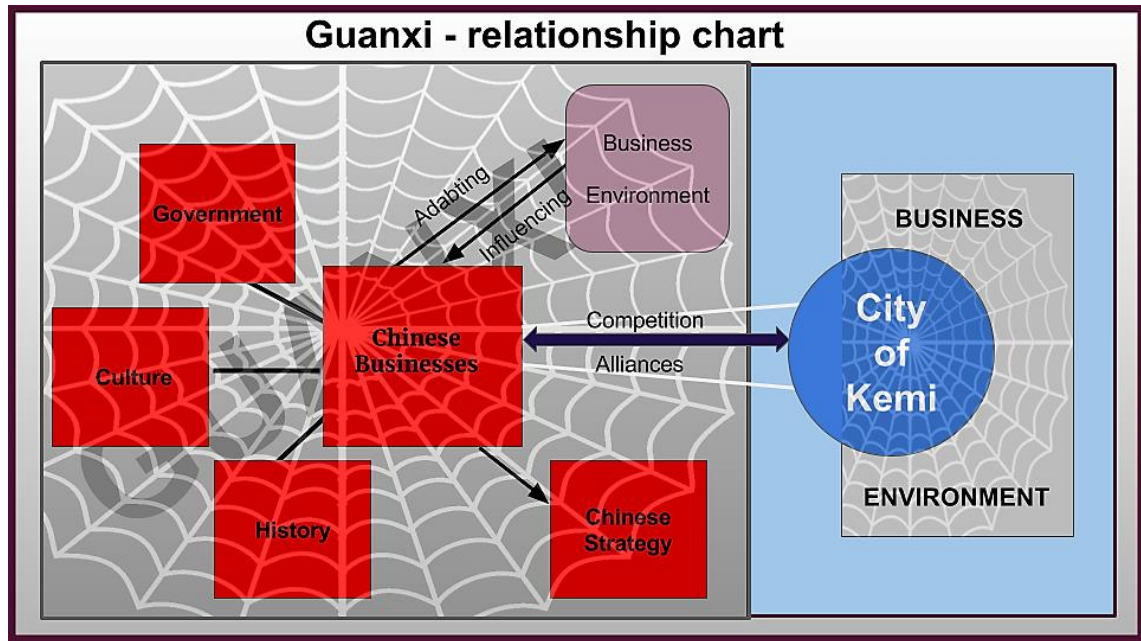
Figure 20. Comparison of two different network models connected to cooperate

When analysing Figure 20, it is evident that from the strategic point of view, co-operation between Kemi and the Chinese partners can be seen in the increasing and sharing of know-how and knowledge by building networks. Such a form of co-operation can be based on models of relationship management and strategy, cooperative strategy, and inter-organizational management strategy. As this is not a business-to-business co-operation, instead it is a business-oriented strategy where a city creates a guanxi network that can be redeployed and utilized by local companies. It would be essential to build a Kemi brand under the network, where members of the network will guarantee the company's reliability to the Chinese partner. Kemi will then work as a presenter or a supporter within the framework of its guanxi network.

7   CONCLUSIONS

This Master Thesis Research was commissioned by the City of Kemi and followed the framework given by Mayor Mr. Tero Nissinen. As demanded in the commission, the framework for the China Strategy for Kemi had to deal with cultural differences and the background of Chinese business strategies as widely as possible. China's rise to one of the world's leading economies has been a spectacular and exciting event. Stable annual economic growth and the combination of the enormous population is hard to resist. When talking about China's vast markets and business opportunities, it is not a question of whether Kemi should go out there, but how it is done profitably. For Western people, China is often a perpetual riddle that is difficult to understand and whose true essence remains unattainable.

It is quite evident that each of us has our own view from China, but the real Chinese face is unique, ever-changing and controversial. China is sometimes called a place where both optimists and pessimists can gain confirmation to own opinions. Although global integration converges and shapes China's outer essence in the western direction, its own cultural features are profoundly rooted. Taken together, the findings of our research suggest that the role of Chinese networking guanxi has maintained as the basis of all business actions, at least when the other party is Chinese. From a Finnish perspective, a Chinese business environment is entirely different from what locally is accustomed to. In order to collaborate with Chinese and to make right decisions, Kemi should be able to monitor and handle several continuously changing variables.

The research also concludes that the mission of China's political leadership is to create a new strategic chronicle, which illustrates the rise of China as a leading but nonviolent world power. Strategic descriptions are needed to globally reveal, what is China´s vision, mission and the expected objectives in the future. An essential part of this strategic chronicle is the outlining the core of Chinese heritage, which involves the emergence of political doctrine and Chinese traditional teachings. That reveals Chinese leadership´s intentions to use these quotations from classical Chinese texts as a tool, only to emphasize the values of traditional teachings that serve its own interests internally as well as

externally. In the pursuit of China´s non-violence appearance, there is a particular kind of organizational-cultural inheritance in the background. As ancient Chinese strategies show, misconduct has been through the centuries as a red thread in Chinese strategic thinking, and in some ways deception has been a rewarding activity. It has pushed an organizational culture into a situation that emphasizes the primacy of misleading in all solutions.

This Master Thesis research work indicates that today's global world, there are still vast cultural differences, which influence in the procedures of the organization, including the business protocol and how to physically and verbally meet and interact. Culture also affects decision making and negotiating. Therefore, the ability to communicate and interact effectively cannot be underestimated especially for those organizations developing relationships with individuals or businesses from different cultural backgrounds. For Kemi, understanding the Chinese culture is essential to successful interactions and to accomplish their strategic objectives. These conclusions have been the base for creating the China Strategy framework for Kemi. The present research should prove to be particularly valuable not only to Kemi but to the other cities too, hence the China Strategy framework can also be utilized by other cities, regarding the necessary alterations and adjustments.

The following subchapter introduces the framework of the China Strategy for Kemi.

7.1 Kemi's China Strategy - Partnership for Prosperity

The current data highlighted the importance of the framework for the China strategy to Kemi hence China is a culturally diversified co-operation partner. Through this developed internationalization strategy framework for China, Kemi aims to achieve its goals and to improve its internationalization process. The results of this research support the idea that the internationalization towards China and co-operation with Chinese is unlikely to bring the desired result to Kemi unless the strategy has been drawn up. Overall, this research strengthens the idea that the strategy ought to be based on realistic assumptions about co-operation with Chinese not forgetting Kemi's existing resources for co-operation.

The research has also shown that the strategy ought to be apparent and potential contributing factors such as foreign language and culture ought to be considered. In the strategy formation stage the impacts of associated risks and obstacles of international co-operation ought to be regarded. In general, therefore, it seems that the obstacles to co-operation could be both external and internal factors of Kemi. When considered the external factors, the valid restrictive EU legislation could be discussed. Regarding the internal factors, the lack of Chinese language skills, the lack of knowledge of Chinese culture and the limited or missing information on the Chinese markets ought to be regarded.

In April, the Presidents of Finland and China issued a joint declaration on the partnership between Finland and China, which is expected to increase relations between countries to a new level. During the visit to Finland, President of China and Finland also agreed on extending practical cooperation in trade, investment, innovation, environmental protection, Arctic, education and science, and winter sports and tourism. (Finland plan for China; Shi 2017, 18 - 19.) Furthermore, Kemi together with Culture and Science Foundation, Kemi 2000, organized a seminar in Kemi on October 11, 2017. The workshop revealed the possibilities that the Chinese investments might offer to the local businesses. (Kemi 2017.)

This research was commissioned to design the new China Strategy framework for Kemi. The framework develops from a collaborative process of engagement with a variety of organizations, including Kemi, the City of Wuhan as well as Sunshine Kaidi Ltd. in Finland and in China. The strategy has a singular purpose of creating a broader co-operation between Kemi and the Chinese at a one-to-one, organization-to-organization, city-to-city as well as later at a business-to-business level. The new China Strategy framework, Partnership for Prosperity represents a fundamental shift in Kemi´s involvement on Chinese platform. It details five directions that will build stronger engagement with China economically, socially and culturally.

The China Strategy Framework for Kemi in Figure 21 is drafted to exploit the opportunities that arise from co-operation with Chinese counterparts, setting out a logical approach to tackling the challenges and chances involved. A vital

strength of the framework is that the co-operation between Kemi and Chinese focuses on the strategic interest of Kemi region.
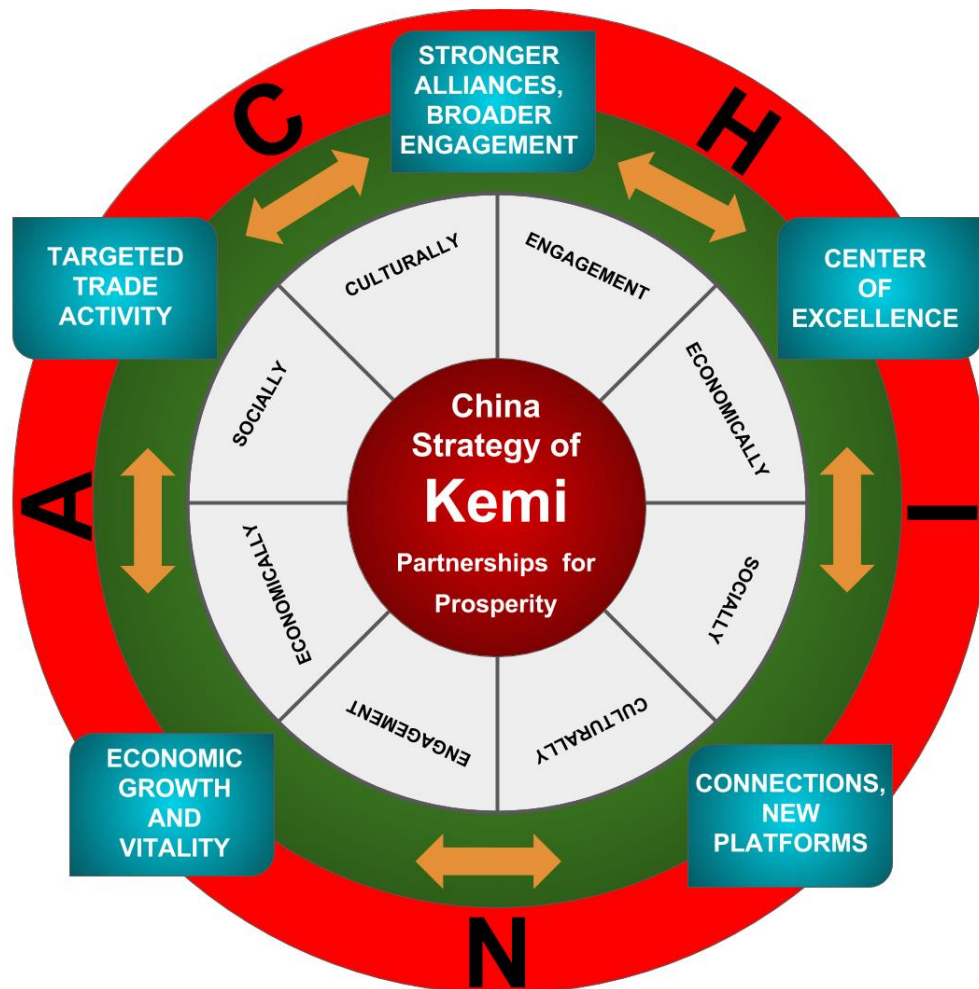

Figure 21. The China Strategy framework - Partnership for Prosperity

Figure 21 visualizes the different layers and dimensions of the new China Strategy framework, Partnership for Prosperity. The designed five suggestions are described in more detailed in the text below.

1. Strengthening interaction and co-operation with Chinese and creating an entree to broader engagement with Chinese partners.

Co-operation among different authorities and organizations fuel the economic progress and helps Kemi to boost its vitality. This will be acquired through the co-operation in different kind of networks created with the help of Sunshine Kaidi Ltd and the City of Wuhan. Taken together, the findings of this research

suggest emphasizing the hierarchy during the communication and interaction processes with Chinese counterparts. This would be highly important since hierarchy influences all Chinese business relationships and equal seniority of counterparts are emphasized. Nonfulfillment to honour these characteristics can jeopardize interpersonal relationships as well as mutual trust among negotiating parties.

2. Establishing Kemi as a center of excellence for China penetrations and capacities.

Establishing a Finland - China Society of Kemi could act as a center of excellence for China penetrations and capacities. The society could also be responsible for gathering and sharing updated information of Kemi - China activities and possible business opportunities. Hence this kind of society would be beneficial also for Chinese, they might also be interested in making it as a joint assignment. The society would be closely linked to the city organization rather than be operated by voluntary or member based. Society could also provide market analysis for business purposes and keep a close eye on China´s new plans and political actions.

3. Building connections through mutual cultural partnerships and establishing new platforms for business to business engagement.

Interest towards China in Kemi is rising due to its rapid economic growth, but also due to its long and colourful tradition and history. Kemi has also been a target of increasing interest of Chinese due to the Kaidi´s decision to build a biofuel refinery. Furthermore, a significant number of Chinese travellers have found Kemi as their travel destination. Therefore, time could be favourable for establishment of Finland – China society of Kemi as well as other mutual actions and joint projects.

Through this kind of activities and society, several new networks could be built, and different kind of projects could be organized. Society is also able to receive a different kind of funds to support its activities. Moreover, the activities could be cultural, educational or business related. The activities in the Finland - China society of Kemi could be naturally linked to the businesses in Kemi region in the

form of cultural training, interaction with Chinese businesses as well as interactive forums, visits or joint activities.

Another important practical implication is that through the new society several other persons than Mayor Nissinen would be able to participate in the creation of the networks with Chinese. As this research has shown Chinese connections tend to personalize and if Mayor Nissinen in the future might be unable to continue networking, all his contacts will be lost. (Zhou 2015; Pietarinen 2010, 102; Nojonen 2008, 165 - 168.)

To improve the knowledge of China the society could organize events such as China Business Forum, China week and Chinese Lunar New Year celebrations. On the other hand, Finland - China society could also work towards China and organize a different kind of exhibits and forums about Kemi region to boost the knowledge of it.

4. Attracting Chinese investment, supporting Kemi's economic growth and vitality as well as to establishing successful business engagement with China.

The framework for Kemi China Strategy is a business-oriented strategy where a city creates a guanxi network that can be redeployed and utilized by local companies as well as Chinese companies. Co-operation with different authors and organizations as well as acting in diverse networks in China will fuel the economic growth of Kemi region by attracting more Chinese companies to the area.

5. Targeting trade activity according to Kemi's competitive advantages and identified market opportunities in China.

For Kemi´s economic growth would be vital to have institutions such as Digipolis or Lapland University of Applied Sciences as one of the co-operation partners. Researchers, as well as educational institutions which usually have extensive networks and are used to work across borders and disciplines, tend to produce ideas from experts of different fields and cultures. This kind of co-operation will enhance value as well as perceptibility for China, which is essential for its enormous research-creation. Despite the high rate of Chinese research, Chinese researchers are still seeking more international partners. (Kisjes 2015.)

As Mayor Nissinen stated Kemi would be interested in export know-how in the fields of the circular economy as well as wood construction. In this kind of cases the business point of view should be kept in mind during the co-operation. Quite often Finnish companies and educational institutions are during the co-operation actually giving away valuable know-how, which actually could be done in the form of education export (Zhou 2015).

These directions are a pathway to achieving the Kemi's vision to become Finland's gateway to China and the most connected city in Asia. Even continued efforts are needed to make Kemi more accessible for Chinese, but the findings of this research work have many significant implications for future practice.

As a result of this Master's Thesis, Kemi is going to be the first city in Finland which has established a China Strategy of their own.

7.2   Suggestions for Further Research

The new China Strategy framework, Partnership for Prosperity represents a fundamental shift in Kemi´s involvement with Chinese and boosts Kemi´s image as a research and innovation location as well as a feasible environment for Chinese businesses. As developers of this framework it would be significant to know how the framework has been implemented into city´s other strategies. Therefore, it is suggested that further research is conducted to find out the implementation of the China Strategy into the strategy of Kemi. A natural progression of this work would be to analyse the benefits of the implemented China Strategy for Kemi. Furthermore, the other further research could be conducted to find out the amount and nature of the networks which have been created through the China Strategy.

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APPENDICES

Appendix 1. List of thematic interview questions – Empirical study

Appendix 2. Interview answers (confidential transcripts or audio files)

APPENDIX 1

LIST OF THEMATIC INTERVIEW QUESTIONS – EMPIRICAL STUDY

Below are the interview questions and their thematic segmentation that were used in this thesis as the semi-structured individual theme interviews.

1. How do the staff and administration interact with the Chinese? How could the interaction be improved? What are the challenges?

2. How do the vision and strategy of Kemi meet the expectations of Chinese companies?

3. What is the awareness level of management of Kemi concerning the B&R initiative? What are the actual benefits of B&R to Kemi and the region? Could these benefits be achieved through co-operation and existing relationships?

APPENDIX 2

INTERVIEW ANSWERS (CONFIDENTIAL TRANSCRIPTS OR AUDIO FILES)

As requested by the interviewees, the interview answers are not publicly available in transcripts or audio format. Therefore, this chapter will not be visible in the Library databases of Lapland University of Applied Sciences.