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BEAR MEETS DRAGON
CROSS-CULTURAL RESEARCH ON THE BUSINESS RELATIONS BETWEEN THE COMPANIES FROM SOUTHERN SATAKUNTA REGION AND CHINA

Degree Programme in International Business

2011

Satakunnan ammattikorkeakoulu
Satakunta University of Applied Sciences

KARHU KOHTAA LOHIKÄÄRMEEN – KULTTUURIEN VÄLINEN TUTKIMUS ETELÄ-SATAKUNTALAISTEN JA KIINALAISTEN YRITYSTEN VÄLISISTÄ KAUPPASUHTEISTA

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Kansainvälisen kaupan koulutusohjelma
Huhtikuu 2011
Ohjaaja: Tekajarin, Pathinee
Sivumäärä: 60
Liitteitä: 2

Asiasanat: Yritykset, kulttuuri, kulttuurien välinen viestintä, bisneskulttuuri, operaatiomuodot, Kiina, Suomi

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Tämän opinnäytetyön tarkoituksena oli tutkia Etelä-Satakunnan alueen yritysten ja organisaatioiden sekä niiden Kiinalaisten yhteistyökumppaneiden välisiä suhteita ja kokemuksia kulttuurierojen ja kulttuurienvälisen kommunikaation pohjalta.

Tämä opinnäytetyö on osa yliopettaja Anne Vihakaran organisoimaa Bear Meets Dragon-projektia, joka koostuu hänen työnsä lisäksi minun ja kolmen muun opiskelijan opinnäytetöistä. Projektiin osallistui erilaisten yrityksien ja organisaatioiden edustajia koko Satakunnan alueelta. Projektin perimmäinen tarkoitus oli kerätä tietoa heidän kokemuksistaan Kiinalaisten kanssa toimimisesta ja saattaa tämä kaikki yksiin kansiin, josta tieto olisi tarvittaessa helposti saatavilla.

Tämän opinnäytetyön pääpaino on kulttuurilla ja kulttuurienvälisellä viestinnällä, joiden avulla paneudutaan ongelmiin Satakuntalaisten yritysten ja niiden Kiinalaisten yhteistyökumppaneiden välisessä kanssakäynnissä. Tätä opinnäytetyötä varten haastateltiin kolmea Etelä-Satakunnassa toimivaa yritystä, joilla kaikilla on jatkuvaa yhteistyötä Kiinalaisten yritysten kanssa. Yhteisestä päätöksestä yritysten edustajien kanssa, nimet ja tarkemmat tiedot ovat luokiteltu luottamuksellisiksi, jonka vuoksi yrityksiin viitataan yleisin termein.

Yrityshaastatteluista kävi ilmi, että jo vuosikymmeniä esiintyneet ongelmat eivät ole vieläkään kadonneet, vaan suurimmat haasteet yhteistyössä Kiinalaisten kanssa ovat edelleen pääosin kommunikaatiopohjaisia. Suomalaiset eivät ymmärrä Kiinalaisille ominaista epäsuoraa kommunikointitapaa, joka vaikeuttaa päätöksentekoa ja jokapäiväisiä asioita. Myös Kiinalaisten tapa toimia herättää usein kummastusta.

Ongelmista huolimatta tulevaisuus näyttää valoisalta. Vain yksi kolmesta yrityksestä näkee yhteistyön niin hankalana, että päätös sen lopettamisesta saattaa tapahtua lähitulevaisuudessa. Kaksi yrityksistä ovatkin erittäin tyytyväisiä Kiinalaisiin yhteistyökumppaneihinsa ja aikovat mahdollisuuksien mukaan laajentaa yhteistyötään. Vaikka satunnaiset ongelmat toisinaan vaivaavatkin sujuvaa yhteistyötä, kärsivällisyys ja ystävällisyys ovat osoittautuneet toimiviksi keinoiksi niiden ylitsepääsyssä. Kiina on täysivertainen markkinatalous siinä missä muutkin maat. Tämä ajatusmalli yhdistettynä edellä mainittuihin keinoihin on paras tapa saada juuri aloitetusta yhteistyöstä Kiinalaisten kanssa hyvin toimiva liikesuhde, joka tuottaa hedelmää.

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Satakunta University of Applied Sciences
Degree Programme in International Business
April 2011
Supervisor: Tekajarin, Pathinee
Number of pages: 60
Appendices: 2

Keywords: Companies, culture, cross-cultural communication, business culture, modes of operations, China, Finland

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The purpose of this thesis was to study the relations and experiences between the companies and organizations in the area of southern Satakunta and their Chinese partners from the viewpoint of cultural differences and cross-cultural communications.

This thesis is a part of a larger study called Bear Meets Dragon, organized by our principal lecturer Anne Vihakara. In addition to her work, it consists of theses of mine and three fellow students. The representatives of various companies and organizations from all over the Satakunta took part in this project. The main idea behind this whole project was to gather information from their experiences from operations with the Chinese and to wrap this all up in one study where the information would be easily available when needed.

The focus of this thesis is on the culture and the cross-cultural communication which are used to process the problems in the intercourse between the companies from Satakunta and their Chinese partners. Three companies working in southern Satakunta and having ongoing operations with Chinese partners were interviewed for this thesis. Because of a mutual agreement, the names and company specific information have been classified as confidential which is why the companies will be referred with generic terms.

The company interviews showed that the problems that have existed for decades have still not disappeared. The biggest challenges in the cooperation with the Chinese are still mainly based on communication. The Finns do not understand the indirect communication style that is the characteristic of the Chinese which makes decision-making and everyday issues difficult. Also the way how the Chinese work and act raises amazement.

Despite the problems, the future looks bright. Only one of the three companies sees the cooperation as such as burden that it might have to be stopped in the near-future. Two of the companies are very pleased with their Chinese partners and are planning on expanding their cooperation if possible. Even though infrequent problems are sometimes bothering the smooth cooperation, patience and kindness have proven to be good tools for overcoming them. China is a fully equal market economy as any others. This paradigm, combined with the tools mentioned above, is the best way to transform a freshly started cooperation with the Chinese into a well functioning business relationship that bears fruit.

TABLE OF CONTENTS

1 INTRODUCTION 6
2 CULTURES IN COMPARISON 7
2.1 Culture in General 7
2.2 Elements of Culture 8
2.2.1 Technology and material culture 8
2.2.2 Language 9
2.2.3 Aesthetics 10
2.2.4 Education 11
2.2.5 Religion 11
2.2.6 Attitudes and values 13
2.2.7 Social organization 13
2.2.8 Political life 15
2.3 Cultural Dimensions by Hofstede 15
2.3.1 Power distance 17
2.3.2 Individualism/collectivism 17
2.3.3 Uncertainty avoidance 18
2.3.4 Masculinity/femininity 18
2.4 Cross-cultural Communication 18
2.5 Chinese and Finnish Management Culture 20
2.5.1 Creating the first impression 20
2.5.2 Good interpreter is worth its weight in gold 22
2.5.3 The concept of face 22
2.5.4 Relationship networks 23
2.5.5 Organizational behavior 24
2.5.6 Negotiations and contracts 24
2.5.7 Business habits 25
2.5.8 Banquets 27
3 MODES OF OPERATIONS 28
3.1 Importing & Exporting 30
3.1.1 Indirect Exporting 31
3.1.2 Direct Exporting 31
3.1.3 Intracorporate Transfers 32
3.2 Contract manufacturing 32
3.3 International Licensing 33
3.4 International Franchising 33
3.5 Foreign Direct Investment 34

3.5.1 The Greenfield Strategy 35
3.5.2 The Acquisition Strategy 35
3.5.3 Joint Ventures 35
3.6 Wholly Foreign Owned Enterprise 36
4 RESEARCH PURPOSE AND OBJECTIVES 37
4.1 Research Questions and Objectives 37
4.2 Conceptual Frame of Reference 38
5 RESEARCH METHODOLOGY 39
5.1 Data Collection Methods 39
5.1.1 Literature 39
5.1.2 Interviews 40
5.2 Reliability and Validity 42
6 RESULTS OF THE RESEARH AND CONSIDERATIONS OF THE RESULTS 43
6.1 Basic Information of the Interviewed Companies 43
6.1.1 Case company 1 43
6.1.2 Case company 2 44
6.1.3 Case company 3 45
6.2 The Issues Concerning the Elements of Culture and Hofstede's Cultural Dimensions 46
6.3 The issues found within communication 50
6.4 Matters of Business Culture 51
6.4.1 Business visitations and negotiations 51
6.4.2 Business style and habits 52
6.5 The Correlation of the Chosen Mode of Operation and the Problems Found Within the Cross-Cultural Operations 52
6.6 Results From the Student and Teacher Interviews 53
6.7 Interesting Additional Results 53
6.7.1 Possible ethical issues regarding the working conditions and the working hours 53
6.7.2 Having a company representative in China is a good idea 54
6.7.3 Odd reasons for delayed schedules with the Chinese 55
6.7.4 An interesting case of a missing bill of lading and the consequences 55
7 CONCLUSIONS 56
REFERENCES 58
APPENDICES 6

1 INTRODUCTION

The globalization has been on everyone's lips for at least a decade now and it is only growing more. It reaches to the lives of everyone everywhere and some handle it better than the others. One of the biggest business markets for Finnish companies is of course the People's Republic of China. Many companies in the southern Satakunta region have been co-operating with the Chinese companies for a long time already with not many actually knowing about it, though. This information that these pioneers of trade are possessing is something that many newly established companies could really use but how can it be accessed?

The aim of this thesis is to gather this information and knowledge and summarize it into one work which can be used for assistance and help on general topics when starting or continuing operations in China. The cultural backgrounds of China and Finland are so very different from each other and this is easily identified as the main thing creating problems and awkward situations in the co-operation. Many companies are seeing this as a barrier or an obstacle and that is exactly where this work comes handy. This thesis is a part of a larger research called Bear Meets Dragon. This and the theses of three other students from Satakunta University of Applied Sciences will be compiled by our principal lecturer Anne Vihakara in her final research.

As the topic of this thesis is based on the cooperation between the companies in Satakunta and in China, one important level outside business world must also be taken into account. The Satakunta University of Applied Sciences has recently begun co-operations with the area of Changzhou in China in the form of student and teacher exchange with certain schools. The students of today are the businessmen and –women of tomorrow which already explains why this point of view is also important. By interviewing also students and teachers who have experiences on the exchange periods between Finland and China, additional data will be received which will be used as a support material in the end when conducting the results of the research.

2 CULTURES IN COMPARISON

“Culture is a learned and interrelated set of symbols and meanings. It is not biologically transmitted. It is passed from one generation to another. Furthermore, it is shared by a group of people, a society. It influences the behavior of the group members in predictable and uniform ways.” (Vihakara 2005, 22) This quotation is used as a working definition of the study this thesis is based on, it will also be used as guideline for this thesis. In the following chapters, the main cultural differences between the Finnish and Chinese people on relevant subjects are investigated and explained.

2.1 Culture in General

When trying to find solutions for the problems and obstacles in international business or cross-cultural communications, a good idea would be to start the research from the culture. If the culture was similar everywhere, these problems would not exist. What is culture, one might ask? All activities, such as business, are always seen from the viewpoint of a society. In short, culture is the small and the big differences between one society and another. These differences are values, beliefs, behaviors, customs and attitudes, to name a few. The culture in the society is the thing that sets the limits and ways for firms to operate. These rules might be totally different from each other even between societies close to each other which are sure to cause difficulties. (Griffin & Pustay 2005, 85)

Learned behavior is one of the most important ways of passing down the culture to new people of the society. Some elements of culture are passed on intergenerationally. This means the way how, for example, a parent teaches his/her children the manners. The other way is intragenerationally where, for example, the soldiers that have been on service longer are teaching the new recruits the customs and habits of the military. (Griffin & Pustay 2005, 86)

Culture is also shared. The people within the society are sharing the culture and this is what determines who belong in it and who do not. It can be seen as a unique way of life for the people in it that separates them from the other societies. (Terpstra & Sarathy 1994, 90-91)

2.2 Elements of Culture

There are several different views concerning the elements of culture. In this thesis, the definition by Therpstra and Sarathy (1994, 90-91) is used. The main reason behind this choice is that this thesis is a follow-up for a previous research where the same definition was used. This way, the results are more comparative with the results from the previous research. It divides the elements into eight larger groups. These groups are technology and material culture, language, aesthetics, education, religion, attitudes and values, social organization and political life. Each of them affects the internationalizing company in numerous ways and should be taken into deep consideration before proceeding into market entry operations.

2.2.1 Technology and material culture

The material culture means all things, both material and physical, within a society that can be seen as tools or objects. It does not, though, take into account the things found in the nature that are not man-made or processed somehow. Technology, on the other hand, means the way of producing or using these things. Technology and material culture are somewhat means for comparing different societies with each other, mainly on the level of their industrial level and development. They identify the way our society is built. For example, the great invention, car, has been the key element in the creation of the suburbs in the cities and has made transporting easier, resulting in cheaper products which in turn raises the quality of life for us all. It has also created many new things, like motorsports in the form of rally or the Formula One which are professions for someone and entertainment for millions, affecting the lives of us all somehow. (Terpstra & Sarathy 1994, 91-94)

International business is one of the most important areas in which technology and material culture have to be taken into account. More specifically, when going into market in a country which is clearly on a lower technological level than the operating company, many everyday things might be missing or need more work. The infrastructure, like roads, might be unavailable and the use of river or air transport could be the only option. Sometimes these differences might be harder to discover or to overcome, sometimes easier. (Terpstra & Sarathy 1994, 91-94)

2.2.2 Language

Language is the primary factor determining the cultural groups, as it is the most important way for people to communicate with each other. Nowadays in many countries the concept of national language is seen suitable. This means that a country adapts one language as a major spoken language for the whole nation. This idea was originally developed in France during the French Revolution. The ideal of single monolingual French nation was mainly to simplify the many aspects of ruling and running the nation and in time it led to a culturally and linguistically homogenous population. By having one dominant language does not mean that other languages are not used. The dominant monolingualism is also applied in modern China but many other languages and dialects are still widely spoken. Fluent skills in Standard Mandarin makes your life easier in China but there are still vast areas within the country where it is not spoken nor understood at all. (Marti, Ortega & Idiazabal 2005, 22-23)

There are also countries where this concept is not used. For example, Switzerland, Belgium and Finland have not gone to this as they still continue to be officially multilingual. (Marti, Ortega & Idiazabal 2005, 24)

The official languages in Finland are Finnish and Swedish. 91.2 % of the population speaks Finnish and 5.5% speaks Swedish. (CIA World Factbook, 2010). Finland is also a great example of having more diversity than just two official languages. There is also the Sami language that is spoken in the Northern Finland but by only under 2000 people. This group of people is also one of the best-known examples of language groups that go over the national boundaries. Sami language is spoken in the Northern parts of Norway, Sweden, Finland and Russia and its position is secured with legislation in the first three of these countries. (Marti, Ortega & Idiazabal 2005, 332)

The official language of China is Standard Mandarin and it belongs to the Sino-Tibetan language family. It is based on Beijing dialect and it is also known as Putonghua. Other languages spoken in China worth mentioning are Yue (Cantonese), Wu (Shanghainese), Minbei (Fuzhou), Minnan (Hokkien-Taiwanese), Xiang, Gan and Hakka dialects. There are also other minority languages but percentages of people who are speaking them are very low so it is not relevant. (CIA World Factbook, 2010)

The business language with countries from abroad is English for both China and Finland. It can sometimes be Chinese but this is fairly uncommon and it never is Finnish. This leads into situations where an interpreter is an essential part of the business negotiations. More of the business language will be explained in the Business Culture-chapter later on. (Kauhanen 1999, 179-185)

2.2.3 Aesthetics

Aesthetics means the ideology within a society or area that determines what is beautiful and ugly and what is proper and improper. It includes arts, colors, design and brand names, for example. In international business, a closer look to aesthetics is important, especially when dealing with China, where many cultural subjects can be totally on the contrary. For example, in many western countries, Finland included, black is the color of mourning. In China, this color is white, which should be avoided in almost all situations. Many cultures like it when a company tries to blend in the local aesthetics, rather than doing everything like back home. Brand names are one thing, as some words might be impolite words in another language, or just something thoroughly insulting. This is not easily done, though, as deep knowledge of the local culture and aesthetics is needed. (Terpstra & Sarathy 1994, 98-100)

2.2.4 Education

In the Finnish culture, education mainly means that one has gone to different schools to learn things. This definition is kind of too strict, as the learning process from the older generations to new ones and cultural aspects can also be seen as education and in this sense, all people are educated somehow. Nevertheless, when a society is compared with another one for its education, the literacy rate is used as a general measurement. Education and economic development go somewhat hand in hand and this fact can be used as an advantage when choosing the markets to enter, for example. (Terpstra & Sarathy 1994, 100-102) The literacy rate in Finland is 100 per cent and in China 91.6 per cent. (CIA World Factbook, 2010)

2.2.5 Religion

Religion is one of the biggest aspects of a society to be taken into consideration when doing business abroad. About 85 per cent of the world's population is practicing some sort of religion and 72 per cent belong to one of the four major religions: Christianity (33.7%), Islam (19.2%), Hinduism 13.7%) and Buddhism (5.7%). Some might ask that what role does the religion have in doing business? Religion shapes the attitudes of the individuals concerning work, consumption, responsibility and planning for the future. For example, the protestant beliefs are fitting the modern-day capitalist society well with minor to no clashes at all. In comparison to this, the ways of the Hinduism, where accumulating wealth and investments are mainly seen as delays for one's spiritual journey, are not fitting this idea at all. (Griffin & Pustay 2005, 94-95)

Religion also often hinders the job opportunities of individuals in the society, restricting women from participating in the business or denying people practicing certain jobs. This, of course has a big impact on the local labour market. The economic role of women can be totally different than in western countries and the matter might require major adjustments in the management or in the approach of the markets. (Terpstra & Sarathy 1994, 108)

Seasonal patterns and the consumption of certain products are as well affected greatly by the religion. Some religions prohibit the people from buying certain products or choosing certain brands. For example, there is no use for McDonalds serving beef in India as no one will eat it. For seasonal patterns, the most visible one is the Christmas. The Christmas sales are the biggest market for many products and are really invested in on many levels but this havoc that starts in Western countries already in November is nowhere to be seen in many other countries. (Griffin & Pustay 2005, 96)

In Finland the main religion is Christianity as 82.5 per cent of the society belongs to the Evangelical Lutheran Church of Finland. The second most popular is the Orthodox Church with only 1.1 per cent of the people. A little over 15 per cent of Finnish belong to no religion. China on the other hand, has been officially an atheistic country since 2002. The biggest religious groups are Daoism, Buddhism, Christian and Muslim. (CIA World Factbook, 2010) Daoism is actually not a religion, though there are religious groups founded on the basic principles of it. It is in fact a way of thinking bringing harmony and wisdom by respecting the eternal cosmic unity. (Ambler & Witzel 2000, 59)

The teachings of Confucius are somewhat the cornerstone of the Chinese religion. Actually, you cannot even talk about religion as all the religions (though mainly Daoism, Buddhism and Confucianism), beliefs and superstitions have melted together and created the Chinese way of thinking. There has not even been an equivalent word for the word religion in China until it was created just for this purpose. (Rankinen 2008, 61-62) The most important teachings of Confucius, according to Hofstede (2005, 208-209) are the following four: 1) The stability in a society is based on the inequalities between people, 2) family is the prototype of all social organizations, 3) the virtuous life consists of the idea that you will not treat other people in ways you do not want to be treated yourself and 4) the virtue considering the mission of life is to pursue gaining skills and knowledge, to work hard, not to spend more than what is needed and to be patient and persistent.

2.2.6 Attitudes and values

Values and attitudes also reflect the culture in many ways, as they vary vastly between societies. In many cases, these are greatly influenced by the local religion. For example, attitudes towards time are mostly religion-based. The Protestant ethic encourages people for hard work which leads to the well known “time is money” attitude common to businessmen around the globe. Age is another aspect that people look from different viewpoints. It is very normal for Western business-style that the companies have young and determined people who are given a lot of responsibilities even at the negotiation tables. In China, on the other hand, this might lead to the counterpart getting offended, as the Chinese prefer dealing with the respected senior members rather than the young. In this case, the older people have better status. Status is an important factor, and in each culture it is achieved in different ways. The Western type of culture often raises the achievements of individuals on top but in some areas of the world status can only be inherited or given. In many cultures, similar status level of business partners is not required but sometimes makes finding the consensus easier. (Griffin & Pustay 2005, 99-100)

2.2.7 Social organization

Social structure is the basis of all societies. It is the framework behind everything and it defines the roles and mobility of people in a society and how the society is built. (Griffin & Pustay 2005, 86)

There are remarkable differences between the Finnish and the Chinese social structures. In modern day Finland, family has an important role. The distance between the parents and children is very small and responsibilities are equal for everyone. Usually children leave the family at quite young age and start the life on their own. Individualism is very strong in the Finnish culture and the rights of individuals are guaranteed through property rights where oral contracts are usually not sufficient enough. In Finland, the government and the authorities are well-trusted and exploits from these facets are rarely seen. (Ranmström 2005, 62-67)

For the ethnic Chinese, family, relatives and friends is everything. Roughly said, this network created by close, trusted people, companies or even countries is called guanxi and that is the cornerstone of all relations in China. This complex social system around every Chinese is founded on trust and obligations to help and support each other. Guanxi has emerged from the principles of Taoism and Confucianism, which have influenced China for millenniums and all, family and business lives revolves around it. (Moilanen 1997, 10-19)

Guanxi can be divided into three main relations, which are expressive tie, instrumental tie and mixed tie. Expressive tie means the relationships within a family and the rule that defines it is called the need rule. It basically means that the people within the family who have resources are obligated to fulfill the basic needs of the other people in the family. In other words, when the children are small, the parents take care of them and when they grow up, the responsibility transfers to them to take care of the parents. The second tie, instrumental tie means part-time and short-time relationships between individuals. A good example is the relationship between a taxi driver and the passenger. This relationship is defined by a rule called the equality rule which means that both sides have the right to bargain to make the deal as fair as possible for both. The last one is called a mixed tie, which means the relationships between the individual and all the other people where the guanxi can be used in a long run to achieve different kind of goals. It is something that both sides of the relationship can profit from and much effort can be used to maintain it. (Rankinen 2008, 85-86)

As the culture in China is opening and the relational norms of old are shattering, the level of corruption is also rising. The old teachings of Confucius are being forgotten and the capitalism is gaining lead. The main idea behind guanxi has become shifted from favor exchange towards power exchange and gain sharing while formal laws and informal norms are being ignored. Within some time, this phenomenon is bound to develop, ultimately leading to guanxi been seen as a tool for self seeking opportunism and dishonorable actions, rather than as a trusty relationship where loyalty and warmth are the main principles. (Yadong 2008, 731)

2.2.8 Political life

The political environment at home and in the host country has always a huge impact on a company. Political environment consists of all the issues that the company is involved in when dealing with the government. Coping with the problems concerning political issues is usually the biggest challenge for the international managers. When narrowed down, the major issue is the political risk; whether the government is helping the company out or hindering its actions in the host country, via regulations, restrictions or allowances. These circumstances might sometimes change rapidly, meaning that it cannot be neglected. In many cases, the company from abroad can be seen as a threat. Reducing this kind of feelings within the country, including the people, the media and the government, is often preferred. Creating employment and being local, meaning using the local raw materials, workforce and suppliers, will often be seen as signs of goodwill. On a long run, this will be beneficial for the company. (Terpstra & Sarathy 1994, 120-125)

Also, the Chinese reform act has given an enormous boost for the economy. The whole reform- and opening policy, launched by Deng Xiaoping a little over thirty years ago, was the initial step towards the leading position of the economic world of today. China is still a developing country, though, and the agriculture has still a major role but the development towards urbanization has been ongoing since the beginning of the reform. The economic growth has accelerated the urbanization and vice versa, resulting simultaneously with the growth of the middle class and creation of totally new social classes, for example, individual entrepreneurs and business executives. The service sector has also expanded radically, creating more employment and career opportunities. (Suomen Suurähetystö 2008)

2.3 Cultural Dimensions by Hofstede

If one cross-cultural research would have to be raised above the others in popularity, it would be the work of Geert Hofstede. His work on the comparison of cultures in five different dimensions is well known around the globe. As for the first four dimensions, power-distance, individualism vs. collectivism, masculinity vs.

femininity, and uncertainty avoidance, Mainland China was not included in the comparison. This leads into problems for using this model as the culture between Hong Kong, Singapore and Taiwan are quite distinct from the culture in the mainland. It is used in thesis nevertheless but the reliability of it is a little questionable.

For the last dimension that was used in the latter, CVS study, Finland in turn was not in the comparison. (Vihakara 2005, 21) This fifth dimension is about Confucian dynamics (also called as long-term orientation) which would have been ideal for this research. In the end, as Finland was not included in it and as its reliability and validity have been highly criticized, there was no other way but to leave it out from this research completely. As Fang (2003, 347-368) states, there are six main issues that affected the reliability and validity on a larger scale and these are:

1) The Confucian dynamics divides the measured values into two opposing poles. Some of the values are named and defined in a way that violates the Chinese Yin Yang principle which makes it a flaw.
2) The ultimate base of Hostede's fifth dimension, the Chinese Value Survey (CVS) has forty chosen values. Some of these forty values are actually redundant with each other, leading to a situation where the two opposite ends of Confucian dynamism are not opposed to each other at all.
3) There is a problem with the values that are in the survey and with the ones that are not in it. The Chinese culture is based on the mixture of many different philosophies, mainly Confucianism, Taoism and Buddhism but only Confucianism is included in the research.
4) There are numerous errors in the English translation of the CVS which has resulted in misinterpretations in the cross-cultural surveys and meaningless findings.
5) The fifth dimension is based on a certain group of students whose cultural values can in no way represent the average values of people in general.
6) As the fifth dimension is based on the opinions of a certain student group and the other four dimensions are based on the employees of IBM, the results are not comparable. The sampling background and the techniques of factor analysis are very different which means that the results cannot be valid.

2.3.1 Power distance

Power distance refers to the prevailing hierarchy within a society. It means that how much a group consisted of the people with least power is approving the uneven distribution of power in institutions and organizations. Thus, power distance is explained by the values and beliefs of the people with least power. In the countries with high power distance, power is seen as a part of the society. It is a basic issue that the people have to deal with and is often compelling. The people with the highest power can abuse justice, as they are more important. In the countries with low power distance, people believe that the power should be used only by the legislation and it is given to a few chosen people believed to do this in a righteous way. (Rankinen 2008, 41)

According to Hofstede, there are three different variables that can be used to forecast the power distance in a certain country fairly accurately. These are the latitude of the country on the world map meaning, the higher the latitude, the smaller the power distance. The second one is the population of the country, with large population referring to higher power distance. The last one is the prosperity where the more prosperous countries have higher power distance. China has one of the highest numbers of power distance, 80, when Finland is as low as 33. This is fairly a surprise when the variables mentioned earlier are taken into account as China has a huge population and is located in the south. Finland again, is located far north and the population is low but fairly prosperous. (Hofstede 2005, 43-44)

2.3.2 Individualism/collectivism

Individualism is a part of such societies where the ties between individuals are loose. The society assumes that each individual is taking care of him/herself and his/her close relatives. Collectivism is the opposite of this and it means that in certain societies when people are born, they are immediately integrated into strong and trustful relationship network which will help and support them throughout their lives, demanding loyalty in return. (Hofstede 2005, 75-75)

China has an index of 20 on this scale, while Finland has 63. This means that China is significantly high in collectivism. Finland is seen as relatively high for its rating but it still is quite the average in Europe. (Hofstede 2005, 78)

2.3.3 Uncertainty avoidance

Uncertainty avoidance means that how different communities or its representatives experience the uncertainty in certain situations. It indicates how much people can tolerate unpredictable situations or what are they willing to do in order to avoid them completely. The index of China is 30 which is relatively high level of tolerance in uncertainty. Finland is higher on the scale, 59, which is seen as moderate. In cultures where the number is low, uncertainty is seen as a part of everyday life and the people can bear unexpected situations and stress very well. In cultures with higher index, uncertainty is seen as a threat and it is fought. People get stressed easily and are not willing to take risks.

2.3.4 Masculinity/femininity

The masculinity and femininity within a culture is related to the roles of women and men in the society. The countries with low index are more feminine. In those countries the society is more caring towards everyone and disagreements should be solved with negotiations and compromises. In masculine countries, material success and development are seen as essential. The society is also a lot less permissive and disputes are dealt with a fight. Chinese index of masculinity/femininity is 66, which is relatively high. The index of Finland is a lot lower, only 26, which is considerably high. (Hofstede 2005, 146-150)

2.4 Cross-cultural Communication

From my own experience I can say that the communication between the Finnish and the Chinese people is often difficult. When I was studying in China, the problems with understanding each other in the classroom occurred daily. Even though some of the students were quite good in English, they had no idea about the context when talking with the Finns and vice versa. This meant that they could not understand any jokes or sarcasm which I could easily use with my friends in Finland or in any other western country. I on the other hand, had no idea what they meant most of the time. One of the most common questions when meeting new people in China was: “What does your name mean?” Finns, along with most of the people from western societies have no idea of the symbolism behind the Chinese language. Our names do not mean anything, they are just names. To learn and fully understand the Chinese language, one must also be familiar with the cultural background of Chine itself. China is a prime example of a country with a high-context culture, meaning that the words and spoken language are not the most important things in the communication. Many things will not be understood if the context of the situation cannot be understood. (Rankinen 2008, 56)

Communication can be divided roughly into two parts: the verbal and the non-verbal languages. The languages in both countries have been introduced earlier on in this thesis but there are still other differences in communication.

One important aspect is that the Chinese are not usually showing their emotions to others and they never say no. Discussions, where the Chinese counterpart is forced to do this should be avoided. They try to go round it somehow without giving the negative answer when Finnish usually like to give direct answers and receive them. This works also vice versa, yes might not mean yes at all. Learning to read between the lines is essential in a long run as this wordless communication and body language is typical for all Chinese. Silence is also common when dealing with Chinese but then again, it is common for Finnish also. It is important to think about what have been said but also what has been not. (Kauhanen 1999, 176-179)

However, even though this silence is characteristics for both Finnish and Chinese culture, its purpose is not exactly the same. When the Finnish silence usually means withdrawing to privacy, the Chinese silence is usually “active silence”. The point of that is to work on the atmosphere at hand and to observe their counterpart. (Rankinen 2008, 61)

The body language of the Chinese and the Finns is very limited most of the times and is often very hard to read if there is no knowledge of the cultural background. Over expressiveness might be seen as suspicious so tempering down ones gestures is often a good choice. Do not let the lack of verbal and body gestures fool you into believing that they also mean lack of interest or responsiveness, as this is not the case. (World Business Culture, 2010)

2.5 Chinese and Finnish Management Culture

The management culture in China is such a different set of habits, traditions and ideologies that it definitely needs a lot of research and digesting. When a foreign manager sits in a negotiation table the first time in China, he/she might be completely lost with how to act and what to do. It is common for everyone to make mistakes and minor cultural clashes are bound to happen, usually the Chinese are expecting some weird behavior from the foreign managers. Showing normal polite manners and genuine interest in the Chinese culture are well enough for creating a good start for one’s business in China. (Kauhanen 1999, 173-226)

Finland, on the other hand, lacks a strong national business culture of its own. This has led to a situation where the Finns seek memberships of different trade unions like European Free Trade Association and European Union more readily than in many other countries. Showing lively interest in the Finnish culture is seen as very positive, quite like in China and other countries as well. For example, make sure you show that you know that Finland and Finnish products are high tech. (Lewis 2006, 334-335)

2.5.1 Creating the first impression

When you first meet the Chinese business partners, remember to act respectfully. Chinese in general try to avoid physical touch. Thus, keeping with a formal handshake is enough and for the Finnish businesspeople this should be no problem. When introducing yourself or other people always remember the hierarchy: highest ranking person first. The arrival and parting of business guests are both very big occasions. Chinese always show their hierarchy and this is no different. The higher the ranking of the visitors organizationally is, the bigger the occasion. The highest ranking person always walks in the front while others follow. In meetings, the equivalent people from both companies should always be of the same organizational level. Also, even though the timetables are usually flexible and are bound to change, be always on time. This is much like in Finland, is it considered rude if one comes late for a banquet or a meeting. (Kauhanen 1999, 173-174)

Being on time is one of the most important things to keep in mind when doing business in Finland. The Finns are excellent organizers and time managers and being just five minutes late from a formal meeting might be seen as inappropriate. The formal meetings and negotiations always follow a schedule and cancellations and delays are rarely seen. The Finnish businesspeople are usually straightforward and get to the point of the issues straight away, even hastily, some might say. As meetings begin and end on time almost always, only a small amount of time has to be left between consecutive meetings. (World Trade Press, 2010)

The business cards will be changed at the first meeting. In Finland, they are not so important but in China, they are essential and you should always have plenty of them with you. One side should be in English and the other always in Mandarin Chinese, which should also be the side facing the receiver when given to someone. Handing out a card from your pocket with one hand is not very polite. They should always be handed with both hands and when received, read and examined carefully. You should also avoid marking the cards in any way. (Kauhanen 1999, 175)

Getting to know each other is something that has to happen before business discussion can begin, as Chinese only do business with friends. The closer the relationship, the easier everything goes. Usually on a longer business trip, the first day might just be visits to the local factories and banquets on the evening. Some people from the western cultures are finding these delays meaningless and time consuming, as time is money. Instead, this time should be used to work on your relationship with each other. Politeness in every aspect is very important and there are certain subjects that should not be discussed, like the political situation in Tibet or the happenings at Tiananmen Square in 1989. Sometimes Chinese surprise the

Finnish counterparts with questions like “Why are you so fat?” or “How big is your salary?” These are very normal things to discuss in China, as the salaries are public and weight might not be seen as a negative issue but in Finland this kind of questions should not be asked. (Kauhanen 1999, 176-179)

2.5.2 Good interpreter is worth its weight in gold

English is used as the main business language in China but this does not mean that everyone speaks and understands it fluently. In the big cities and in companies that are veterans in international trade, many of the managers can handle the negotiations in English nowadays. This is just the minority, though, as most times a good interpreter is needed. The further you go from the big cities, the bigger is the language barrier. In rural areas and small towns, it is very possible that no one speaks English at all and in this kind of situation absolutely nothing can be achieved without an interpreter or fair knowledge of Chinese language. (Kauhanen 1999, 179-185)

A good interpreter is expensive but it gives a lot in return. Chinese language is very demanding to translate, as the language is highly symbolic and emotional. The interpreter must know the cultural background of the people and also understand the context of the subject. A fact that should be noted is that most of the words needed in everyday business language did not exist in Mandarin Chinese a decade ago, meaning that the interpreter always needs thorough briefing. Also, many times an interpreter is used to avoid losing faces. A good interpreter cut out some unintended rudeness easily and the high-level managers have time to think carefully as they hear everything twice. Of course, losing the face of the interpreter is something that should be avoided too. (Kauhanen 1999, 179-185)

2.5.3 The concept of face

One of the most important matters to keep in mind when dealing with the Chinese is the concept of one’s face. This applies for both personal and business relationships. As the group thinking over individuality in China is very strong, one has to have good reputation and respect within every group. Losing this respect and reputation, the face, is the absolute worst thing that could ever happen to a Chinese. Most of the problems and weirdness, as we might see it, in dealing with a Chinese counterpart is just a result of trying to keep one's face. They might be trying to save their own face or yours. As a manager, many times this leads into situations where you simply do not hear any bad news. This does not mean that everything is going smoothly, your offer might be too expensive and they do not dare to give a negative answer, or they are refusing to delegate your message further because they are not sure if it will get accepted. Getting frustrated or angry does only harm and losing your temper in a business situation is a sure way to lose your face. After that, doing business is over for you. (Kauhanen 1999, 189-191)

Losing the face can sometimes be easy if you are not familiar with the Chinese culture but face can also be gained. Complimenting and rewarding personnel in the Chinese companies publicly is rare but it happens. This is usually only the case when the employee has done something significant, most often given much face to the company or directly to the company president. (Thompson 2004, 84)

Patience is a virtue you should possess at all times in China. Patience, and normal, polite attitude towards others is the key to success in most cases. Nobody expects you to be an expert in Chinese culture and human relations. (Kauhanen 1999, 189-191)

2.5.4 Relationship networks

The relationship networks (guanxi), already defined in this thesis does have a major impact on business side of life as well. Everything in China works according to these networks and the whole business life is based on doing favors and receiving them from another. This balance between favors should be maintained as it makes doing business so much easier. With proper networks, bureaucracy can be avoided, the quality from factories can be trusted and the scheduled dates will hold. Many times, hiring a Chinese middleman for handling your corporate relationships and working for the good of your company in general is a great investment. (Kauhanen 1999, 192-193)

2.5.5 Organizational behavior

As already noted in this thesis, Chinese corporations are extremely hierarchical. Only the person with the highest authority is allowed to make decisions and the ones who are of lower rank usually do not even want to. This happens again for losing the face, which might happen if a mistake was made. So, to avoid making mistakes and wrong decisions the decision-making process is preferably given to a higher-ranking person if possible or just ignored completely. The employees generally do not want to be initiative or do anything that has not clearly been told. This leads to problems, such as bad quality control or broken tools as no one is willing to report from them. Only option is to wait for the supervisor to notice these issues and solve them. In most cases, foreign-owned companies have also foreign staff supervising the employees as the working culture is very different in China than in Finland. In our eyes, taking a nap at work or doing nothing is seen as laziness but in China it is common if the employee has done what he was supposed to do. There are major changes ahead, though, as the younger generations are more and more westernized and their ideology is taking huge leaps towards us. This new generation of Chinese, who have just graduated from the university and have obtained experience by studying or working abroad, are very much wanted in the modern business world of today’s China. (Kauhanen 1999, 193-197)

2.5.6 Negotiations and contracts

Negotiations in China are something extraordinary for many foreign managers. Even before the negotiations actually begin a few things should be checked: is the negotiated project even possible to happen at all and do the business counterparts have the rights or permission to engage in foreign trade? Usually the negotiations follow the Chinese way but nowadays in many cases the negotiations might also be very western-like. The most important point is to send the high-ranking personnel to the negotiations who have the authority to make the important decisions. It also helps if they are older as the age is seen as experience and trustfulness, sending in a fresh manager in his/her late twenties will not get you really far. Even the age will not help if the person is too low on the organizational level as then the Chinese company will send in a person with corresponding status who cannot make any decisions. (Kauhanen 1999, 197-208)

In negotiations, the hierarchy is very important. Even though the negotiation room might be full of people, the actual negotiation usually happens between the two highest ranking counterparts. Time is something that you can never have too much in China. The whole process of the negotiations might take anything from weeks to years and many foreign managers find this very frustrating and difficult. The concept of time alone is seen so differently that problems might emerge very easily. The Chinese negotiators are very skilled and can use this as an advantage. (Kauhanen 1999, 197-208)

To achieve the best possible outcome for the negotiation, the foreign manager should always pursue deals from multiple possible partners at the same time and to let the other companies involved know that there is competition for the business. Otherwise the Chinese will most likely think you lack business skills as this practice is fairly common in among the Chinese companies. (Thompson 2004, 85)

The last thing to keep in mind is the whole idea behind the contract in the end. Many foreign managers find themselves in a very weird situation, where the contract has been made and the first thing that happens is that the Chinese business partners are already suggesting some modifications to it. For us western-style people, the contract is the final step of the whole negotiation process and when it is signed, everything is finally in order. For the Chinese, the contract merely means that they have agreed in cooperation with you for the operation. In many cases, the negotiations on the practical details actually really get going after the contract has been made. In other words, the implementation of the contract should be followed through at least as closely as the creation of the contract. (Kauhanen 1999, 197-208)

2.5.7 Business habits

The dress code in China has been modernized and the traditional Zhongshan suit (also known as Mao suit in the West) can rarely be seen nowadays. It is quite as in many Western countries such as Finland, meaning that nothing special will be expected. Basic, formal business suit is enough. In China, many of the young female managers can be very fashionable but still, avoiding too short dresses or too open necklines is important. (Kauhanen 1999, 208-219)

In Finland, men normally use dark business suits, especially during the winter time. During summer light suits are also appropriate. Women tend to use well-tailored, stylish business suits or dresses. (Thompson 2006, 106)

The high hospitality and generosity that Chinese often offer might be overwhelming in the beginning. It is good to remember that it works vice versa. When the Chinese come for a visit, they expect the same level of hospitality in change. Possessing the good manners is considered as the symbol of civilization. Little slips and clashes with this will not matter. The most important thing is the right attitude and sincere interest in Chinese culture and friendship. (Kauhanen 1999, 208-219)

A big part of Finnish life, on private and business level, is sauna. Many great deals have been negotiated in sauna and this is something very distinct of Finland. An invitation to sauna is considered as an honour and should generally be accepted if there is no real reason behind the denial, such as health prohibition. Finnish people love the sauna and are proud to introduce it to foreign people. (Thompson 2006, 109)

In China, the gift-giving tradition is also an important part of doing business. Gifts can be given on many occasions, for example, as a commendation for a job well done, as a token of friendship or they might be given prior to asking a favor. When a Chinese delegation travels abroad, they always have well-thought set of gifts with them for the hosts. This should also be the case when going to China. A gift should not be too cheap or too expensive, and money should never be given. If the gift is too expensive, it might be seen as a bribe and that should never happen. Good gifts are often something of your own culture. Finnish art, music or alcohol is often a good gift idea. You just have to know whom you are giving the gift to, as not everyone can appreciate Finnish liquor or a knife. Red color is also often used as it represents happiness and prosperity. A lot of effort should be also used in the wrapping or the package of the gift, as the more valuable and special it appears to be, the better.

When giving gifts, it is important to understand the denial process that might take place. Chinese can deny themselves from receiving the gift up to three times and if you put the gift back to your briefcase after the first denial, you are seen as uncivilized person who has no idea about the Chinese culture. (Kauhanen 1999, 208-219)

The gift-giving tradition in Finnish business culture is not that common and as a guideline, you should not send a gift to a Finnish counterpart before you have received one. Holiday cards, such as a thank-you card for business in the previous year are very appropriate, though. Smaller gifts during the business meetings do not have that big of a meaning, they can be exchanged more freely. (Thompson 2006, 108)

2.5.8 Banquets

The official banquets are an important part of the whole business life. In China, the banquet is not a place to talk about business, though. It is the place where you warm up your relations between the people from the host organization. Typical banquet begins at 6 p.m. and ends around 8 p.m. Punctuality is necessary as being late is considered rude. Again, the seat order is very strict as everyone sits according to their status. Banquet starts with a toast from the host and this should be followed by a toast from the main guest. The first bite will usually be served by the host to the main guest and after this the actual dinner can begin. Many courses of food will be served and it is considered polite to taste them all. Sometimes the food can be things that the western people are not familiar with. In these cases eating them is not a matter of life and death. Also, to avoid awkward situations, people with food allergies should make sure that the host is aware of this. Eating is very important for Chinese and if you leave your food on the table without eating it, it means that you do not like it which is shameful for the host. Same is the case if the food or drinks run out. (Kauhanen 1999, 220-226)

In Finland, the business meals are mostly held over lunch and usually it is appropriate to discuss the issues related to business during them. At lunchtime, alcohol is rarely served even though the Finns have a reputation for hard drinking. Dinner is a whole different situation where alcohol can be expected to be served. Finns favor beer and vodka over dinner but wine is becoming more and more popular. During the dinner, business topics tend to give way to other issues, like sports and Finland itself. (World Business Culture, 2010)

Different kinds of alcohol are often served throughout the banquet. Nowadays beer is a normal drink in a dinner table and usually the whole event starts with a toast. Very popular drink for the toast is the Chinese rice-wine called baijiu. General rule is that the more north you go, the heavier the drinking. Typical Chinese cannot drink nearly as much alcohol as people from the Western countries and the idea at banquets is not to get drunk, even though sometimes the Chinese host might aim at it. After all, if the guests are happy, the banquet has been a success. When fruits or tea is served around 20.00, it means that the banquet is over. This basically means that the day is over, as follow-ups with a few beers are not very popular in Chinese culture. (Kauhanen 1999, 220-226)

3 MODES OF OPERATIONS

Choosing the mode of operations is the largest step in the whole internationalizing process. There are a lot of factors determining the most suitable mode as the one the company chooses should always be the most profiting one. Sometimes the needed information is missing or the criteria to choose from are fully qualitative, being difficult to compare and process. (Hollensen 2001, 235-237)

Internal factors, such as the firm size, international experience and product are the key parts in choosing the mode. The size of the company is often a sign of what amount of resources it has available for the process. If the company is really small, it most likely will not have enough capital to choose the most expensive modes such as the acquisition or the Greenfield project (explained later on in this chapter). The lack of international experience in turn raises the risks of losing profit as the uncertainty rises. The product is a substantial factor in this process at many levels. The bare physical characteristics of the product often set the place where the production has to be located, narrowing the options. When the item is such that its production benefits from large economies of scale, it is most likely exported. Vice versa, when the item produced is rather cheap per unit and is shipped in bulk, the best option is handling the production inside the target country to avoid high shipping costs and tariffs. (Hollensen 2001, 237-238)

The external factors are also key parameters in the whole process of choosing the correct mode. Sociocultural distance between home country and host country is a major issue, as when the culture, business style and language are completely different the uncertainty rises once again. When the distance between the countries is very large, the companies will favor the modes where the needed amount of resources is lower and the flexibility is higher. Country risk is another factor that needs attention. A precise risk analysis is needed, for both market and the mode of entry. The risks are mostly economic but political risks also exist. The unpredictability of both political and economical environment of the target country increases the financial risks for the company, thus, leading to avoidance of the entry modes requiring large amounts of resources. (Hollensen 2001, 238-239)

Market size and growth are some of the most important factors determining the entry mode. A large country with great market size and high growth rate is bound to attract companies willing to invest in wholly owned subsidiaries or larger scale joint ventures. In another case, if the country is small and the market is scarce, there is no point in investing heavily in it, leaving exporting the best option. (Hollensen 2001, 239)

Direct and indirect trade barriers are sometimes so massive that they might make importing and exporting impossible. If the target market has potential nevertheless, establishing local production is the most favorable way. This way the barriers can be avoided, while gaining experience and help from the partner with contacts, distribution channels and sales negotiations. Finally, the amount of competition should also be noted. Markets that are full of competitors are not as profitable because the shared market puts pressure on the competitors, eventually leading to lower profits per product. (Hollensen 2001, 239)

3.1 Importing & Exporting

Importing is the process where a company is buying products abroad and then reselling them at their home market. Both importing and exporting can be divided into two sub-categories which are merchandises and services. Importing is often chosen because the level of investment stays rather low, meaning that the smaller companies can also engage in foreign trade. Also, the company does not have to have retailers or distribution chain abroad to be able to make profit. You only need to find a partner who is selling the goods or services you need and make a contract for buying them. (Griffin & Pustay 2005, 7)

When a company wants to go abroad to expand its markets, one of the safest ways of doing it is exporting. It basically means the process of sending goods or services from one country to another for use or sale there. It is the most common type of international business and has relatively low costs compared to the other types. (Griffin & Pustay 2005, 346)

Exporting has a few advantages that a company may find very tempting. First of all, the company has a tight control over its financial exposure to the host country market. Like already said, exporting is rather cheap as some firms manage it with no capital at all. The only real costs are the start-up costs which cannot be avoided. These are market research, finding a trustworthy distributor, advertising in the target country market and of course, the value of goods shipped to the target country. Of course the firm can be the distributor itself to be able to control the marketing better and to save money by eliminating one part of the supply chain but it also raises both costs and risks. (Griffin & Pustay 2005, 346)

Second advantage is the ability to enter the foreign market gradually. After starting the exporting process, the company can modify the strategies and the variety of products and services easily. Also, while exporting, the company receives useful information about the markets and learns the culture and the habits of the host country. This opens ways for a larger entry, perhaps for becoming the distributor or starting a new factory or moving the old factories to the host country. (Griffin & Pustay 2005, 346)

There are two types of motivations that affect the way and situation of how and when the firm decides to start exporting. Proactive motivations are pulling the companies to the foreign market as they clearly see that there is demand for their products or services. Usually investments in market research are needed to gain this sort of information. Then there are reactive motivations which are pushing the firm to the foreign markets. This basically means that the company is in need of larger profit and sees exporting as the way to reach it. (Griffin & Pustay 2005, 347)

There are three different types of exporting to be noted:

3.1.1 Indirect Exporting

The main idea behind indirect exporting is that it creates a way to penetrate foreign markets without the risks and many complexities of direct exporting. In a nutshell it means using a domestic middleman. The firm sells its products to the middleman which either exports the product like it is or after modifications. Using these export-trading companies gives the company very easy but sometimes also costly way to gain an immediate access to foreign markets. Finding a good trading company is very vital as the best trading companies have the knowledge and the networks for greater success. Using the middleman always raises problems, of course. In this case the biggest issue is the loss of control over the foreign sales. Also, maintaining the preferred company image is sometimes hard to do without very close ties with the partner company. (Woznick, Alexandria 2000, 25)

3.1.2 Direct Exporting

Direct exporting, in turn, means direct selling of a product or service to a customer abroad. This can be a distributor or even the end-users. With direct exporting you have more control over the product and you have chance to gain more profit as the middleman has been removed. Also, the relationship between the marketplace and the customers will be closer. To achieve all this, a lot of time and resources are needed until the company is ready to start. Good marketing is a vital part for success as working in an unknown market area the unique products are often not enough to attract customers. (Woznick 2000, 27)

All this focus on the market research gives the company useful expertise and deep knowledge about the target market which often leads to expanded exporting after the successful start. This expertise and information is also particularly important if the company has any intentions in engaging in foreign direct investments later on. (Griffin & Pustay 2005, 348)

3.1.3 Intracorporate Transfers

The last type of exports is called intracorporate transfers. It is a special situation within one multinational company, where for example, the parent company transports raw materials to its subsidiary in another country. The transport is seen as exporting on behalf of the parent company and importing for the subsidiary even though the revenues for this operation stay within one company the whole time. As the number of multinational companies is growing rapidly, intracorporate transfers are also getting more important for the international trade, exceeding 40 per cent of all exports and imports in some countries. (Griffin & Pustay 2005, 337-339)

3.2 Contract manufacturing

Contract manufacturing is an entry mode used by all sizes of companies. It basically means that a company outsources its production to another company which is located in the target country. The main reason for choosing this entry mode is to lower the financial resources needed to operate internationally and to save human resources for marketing and other things that the company excels at. (Griffin & Pustay 2005, 359)

Also, many companies seek the possibility of being closer to the foreign customers. Local production gives a powerful route to interact with the local markets and feedback and the customer needs are easier to obtain. There are also barriers that can steer companies into contract manufacturing as sometimes tariffs and quotas might fully prevent the entry of certain products. (Hollensen 2001, 264)

Additionally, this mode has rather low risks compared to some others. Being able to give full responsibility over the product to the manufacturing company is one of the best sides with it. Though, very close attention to quality control and specification requirements must be maintained. And in the end, if the products do not follow the needed specifications, the company can always switch manufacturer or withdraw from the market completely, depending on the contract at hand of course. (Hollensen 2001, 264-265)

3.3 International Licensing

When the company is looking for possibilities to enter the foreign markets with a way that includes no capital investments, one of the best possibilities is licensing. The difference between contract manufacturing and licensing lies in the length of the contracts, which are usually longer, and in bigger responsibilities for the company in the target country. In general it means that a company, which is called the licensor, is leasing its intellectual property to another company, which is called the licensee for a certain fee. This property can be almost anything but the most common ones are patents, work methods, use of a trade marks or advice with marketing, for example. (Hollensen 2001, 265)

3.4 International Franchising

Franchising is yet another way to internationalize company’s operations. It is a special type of licensing, as a matter of fact. In a nutshell, it means that one party, the franchisor, lets the franchisee operate a business under its name for certain fee. The main difference between licensing and franchising is that it gives the franchisor a lot more control over the franchisee. Also, the franchisee receives more support and help for the operations. (Griffin & Pustay 2005, 358)

There are two types of franchising. The first one is called product and trade name franchising and this one is the one more similar to licensing. The supplier sells its products or entire product lines to the dealers, who in turn use the trade name and mark and the product line to create the product and sell it. (Hollensen 2001, 269)

The other type is called business format package franchising. Here the franchisor transfers the whole business format, or package, to the franchisee which can then operate it. This package contains all the vital parts a company needs to run and to make profit. As the package is similar in all markets, it is rather easy to predict how it will work out, thus, leaving less room for failure. This is also closely controller and regulated by the franchisor which, most likely, has experience on the whole operation with multiple franchisees already lowering risks even more. (Hollensen 2001, 269)

3.5 Foreign Direct Investment

The modes of operations mentioned earlier in this thesis are all designed for companies that are not willing to invest in foreign facilities or factories for one reason or another. Perhaps they want to get themselves accustomed for the markets before expanding or have chosen not to expand at all, keeping their business smaller and having lower risks. The way or another, foreign direct investment, from now on referred as FDI, is usually chosen when the company is determined to hit the market and are seeking for ownership and control over the whole business. In some markets, the use of FDI is hindered or supported via regulations and taxation which often decides if investing in the local market is profitable at all. (Griffin & Pustay 2005, 350-352)

3.5.1 The Greenfield Strategy

This type of FDI is quite risky and expensive. It means starting the new operations from a scratch, including the land to build on, the new facilities that need to be built, the personnel that needs to be hired and the laws and regulations to be taken care for, just to name a few. This strategy is really risky without proper knowledge of the markets and enough patience. The good sides are that the firm can really start from a clean state, without existing debts or bad reputation. It also has full control over everything involved which is important for many firms. (Griffin & Pustay 2005, 361)

3.5.2 The Acquisition Strategy

The idea behind this strategy is fairly simple: a fully operational company is acquired by another. The work that has to be done with financial and legal issues is massive and the acquisition itself is expensive but it also gives a lot back in change. The company receives an ongoing facility with running product lines, supply chains and distribution networks, customers, trained personnel and a known brand. This is a clever and a rather fast shortcut to internationalizing for a company with enough resources. (Griffin & Pustay 2005, 362)

3.5.3 Joint Ventures

The whole process of globalizing is such an expensive operation in its entirety that many companies cannot even afford it. Many who can are seeking for ways of doing it cheaper and with less risk. Forming a strategic alliance is one option that helps with both. Joint venture is a special type of strategic alliance and in short, two companies form a new business entity that is legally separate from the parents. They are usually corporations and the ownership can be shared among the parents as pleased. (Griffin & Pustay 2005, 360-361)

When a company forms a strategic alliance, there is always a good reason behind it. Mainly, there are four most important benefits that the alliance gives to a company and the first one is the ease of market entry. When a company is eager to enter the market and wants to do it rapidly, it will most likely become highly expensive. Finding a local partner to form a joint venture is a good way to execute this plan and cut down costs. The local company should already have the know-how and the needed customer base to start the business straight on. The local partner can handle the hostile regulations and distribution, while the parent company excels at marketing and production, for example. Secondly, the companies have shared risks. Expanding your business to foreign markets is always risky, especially to fresh ones with high competition. Cutting your financial risk by half is a significant benefit, even if it cuts your profits at the same time. The third benefit is the shared knowledge and expertise. Sometimes companies feel that they lack knowledge or expertise on a subject. It might be anything from more efficient human resource management to speeding up the productivity in a factory. To gain this needed expertise, they can start a joint venture with another company who excels exactly at this subject and which also wants to learn something in return. This is a win-win situation for both, even if they are competitors. The last one is the synergy and competitive advantage which is a kind of mixture of the three first benefits with the idea of achieving more than what would have been possible alone. (Griffin & Pustay 2005, 361-366)

3.6 Wholly Foreign Owned Enterprise

The Wholly Foreign Owned Enterprise (WFOE) is a limited liability company, which is fully owned by the foreign investors. The registered capital of a WFOE should always be subscribed and contributed solely by the foreign investors. Previously in China, the WFOEs were mainly seen as manufacturing activities but nowadays the situation has changed. Since the opening of China and its entry into World Trade Organization, WFOEs are used more and more for service providers, for example as consulting or management services. Basically this means that all enterprises that are 100 per cent foreign owned can be called as WFOE. (Path to China, 2011)

WFOEs have recently become very popular for the reasons mentioned above and they are the number one choice for an international investor wishing to manufacture, process or assemble goods in China. It eases operations as there is no need for a

Chinese partner, and the amount of registered capital can be kept to a minimum. Also, the WFOEs based in a Free Trade or Export Processing Zone might receive significant benefits, such as tax incentives. (Wong 2006)

4 RESEARCH PURPOSE AND OBJECTIVES

The Satakunta region is a unique example of large-scale co-operations where China is approached as one front and not as single organizations. The experiences that all these organizations involved possess needs to be collected and shared to fuel further operations not only in Satakunta but also nationally and internationally.

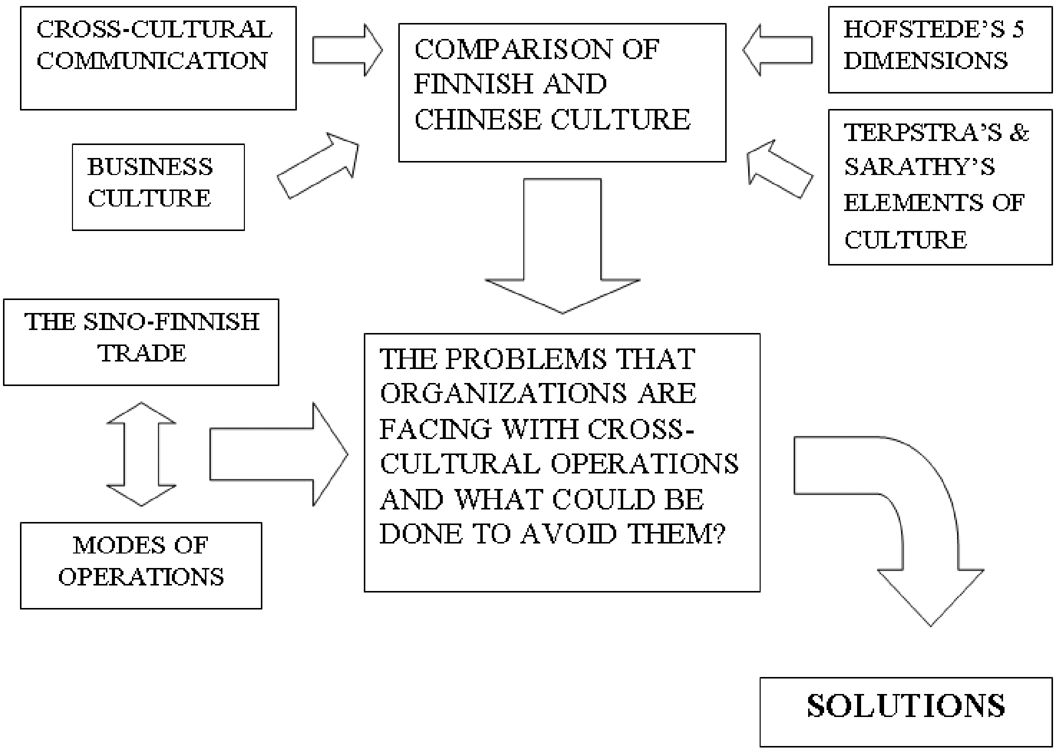
4.1 Research Questions and Objectives

The purpose of this study is to increase understanding of the possibilities and challenges of co-operating with the Chinese organizations. The companies, educational, research and development organizations in the Southern Satakunta and their Chinese partners are identified, main focus being the companies. Their China operations will be introduced and the development of any type of co-operation will be recorded. Also, the cross-cultural communication between the Finns and the Chinese is closely studied.

The main research questions for this study are about cultural differences. What are the biggest problems that the organizations are facing with these cross-cultural operations? What could be done to avoid these conflicts and instead, get everything to roll smoothly?

Anne Vihakara’s doctoral thesis on the subject acts as the background for this whole research and I will be working alongside of three of my fellow students from Satakunta University of Applied Sciences. We all have our own research areas and our work will be compiled in the end by the author, Anne Vihakara. We all four students have firsthand experience on the Chinese culture as we have taken part for an exchange period in China.

4.2 Conceptual Frame of Reference



This conceptual frame of reference explains how the theoretical and empirical parts of this thesis are combined. Within the *Sino-Finnish trade*, problems with cross-cultural operations have been found. The chosen *modes of operations* of the case companies will show if there is any connection between them and the problems. They are explained also to give the reader information about the possible ways to start the operations in China. In addition to this, *the Finnish and Chinese cultures are compared* by *Hofstede's five dimensions, Terpstra's and Sarathy's elements of culture, business culture and cross-cultural communication.* This will show if similar problems, as defined in the research questions and as found from the company interviews, arise. After this, the *solutions* for these problems are formed with the data received.

5 RESEARCH METHODOLOGY

The research methods used in this thesis will be explained later in this chapter and they all fall under the category of a qualitative research. Data collection for the thesis consisted of literature review, interviews and my own experiences. The company interviews are the primary data of the research and all other is the secondary data. The literature used was mainly books and Internet articles/pages. My own experiences are based on my exchange period in China, more specifically in the Jiangsu polytechnic university, during the autumn semester in 2009. At the end of this chapter, the reliability of the research is explained.

5.1 Data Collection Methods

As stated before, the data collection methods for this thesis are literature, my own experiences and the company interviews. The interviews are giving the primary data that will be processed with the theoretical framework. Theories and the texts for this framework are supplied by the secondary data received from the literature. The interviews from the Chinese students and teachers in addition to my own experiences will be used to support the thesis with additional information when it is available. These interviews are chosen to only support the results of this thesis as the main focus is on the business relations between the companies in China and in the area of Satakunta.

5.1.1 Literature

Most of the literature that this thesis is based on is books. Generally, finding books about this topic was easy. Finding the books with the proper and needed information was more challenging. I searched for relevant books from the libraries in a few cities and of course, on the Internet. The ones found from the libraries took considerable efforts to find compared to the ones from the Internet but were an important part of my study. The searching procedure in the actual library is somewhat slow and involves a lot of work.

The books found from the Internet were easier to find. Mostly, I used the services provided by our school, the Ebrary and the Dawson Era. The number of results in the beginning were huge but the more I used the search engine, the easier it became. The most important part of the learning process was to understand to specify the search enough. In many cases this led to zero results but as conducting a new search is very fast, it soon led to good results.

5.1.2 Interviews

The interviews took place during November 2010. Three representatives from different companies were interviewed, mainly about cultural differences between the Chinese and Finnish people on the subject of business cooperation and communication. These companies were chosen for the interviews because they had an ongoing business relationship with Chinese companies, thus, giving fresh and up-to-date information on the subject.

The student and teacher interviews were conducted in the premises of Satakunta University of Applied Sciences, Faculty of Business and Culture Rauma. Five students and two teachers from Jiangsu Polytechnic university who were taking part in exchange programs were interviewed in Rauma. For the sake of confidentiality, no names will be mentioned in this thesis.

In general, interviews can be divided into two larger categories: face-to-face interviews and distance interviews. Both have their pros and cons but in this case, as time or location was not an issue, face-to-face interviews were chosen. (Gillham 2005, 7-10)

Face-to-face interviews can be divided further into six sub-categories: structured-, unstructured-, semi structured-, ethnographic-, élite- and group interviews. (Gillham 2005, 70-79) The most suitable one for this research was the semi-structured interview. That interview style has some clear benefits compared to others. There is a structure for the interview to follow, called the interview framework. An interview framework makes it easy to keep on track about which subjects have already been dealt with and which have not. (Saunders, Lewis & Thronhill 2007, 311-313) Also, the use of time can be easily seen and adjusted if some topic takes more time than expected. The main benefit for this style is the openness it gives, as much of the valuable information is received from the stories outside the main questions: they are as open as possible, forcing the interviewee to think and tell more. Also, the results are far more comparable than using the unstructured interviews. (Gillham 2005, 70-79)

Construction of the interview questions for both the company and the student/teacher interviews was a quite straightforward project. After having the initial discussion about the whole topic with Anne and the other students, I started to mark up what topics I would need information for. I also discussed this more with my fellow students to make sure that nothing important would be left out. These preparations and my theoretical framework from my research plan gave me a good idea of what needed to be covered. When I came to the solution that everything was ready, I compiled all the ideas and wrote it down as an interview framework.

Also, alongside with the semi-structured interview, observation was used as a support technique to gain more knowledge. Human eye is a lot more than a camera, as while you see the perceptions and behaviour you also interpret the situation simultaneously. In many cases, a certain gesture shows that there is something more to find beneath the surface. By asking questions about the interviewee that you just observed is a great way to broaden the data. (Gillham 2005, 166)

In practise, this meant that I was recording the conversations with my mobile phone into mp3-files, which gave me the opportunity to write down additional information simultaneously while listening to the interviewee. This information was then used to support the recorded conversations for better understanding of the interviewee.

5.2 Reliability and Validity

The reliability and validity of a research is often highlighted and for a good reason. A research must always be as reliable as possible with trustworthy results.

The reliability and validity of a certain secondary data can usually be investigated with ease. In books and written documents, clear references are given in the end for the reader to check the sources. This is a good way to make your research more trusted and reliable as the author clearly indicates that the theories behind everything are not made up. Generally, any research conducted by a large, well known institution or corporation is fairly reliable. The reputation and popularity of these facets is often dependant on the reliability and the public image which would sink if exploitations were found. The situation is different in the Internet, though. As publication through the Internet is not controlled in any way, more caution should be used when gathering the data. The name of the Internet site you have found good articles from might be something that falsely leads you to believing it is reliable. For example, the National Press Research Centre of New York might seem like a trustful organization but the name cannot be trusted alone. The references are the key in all secondary data, if they cannot be found or tracked down the data should usually be left aside. The problem with this approach is that sometimes the most reliable and known organizations might leave the references out even though the data is as reliable as it can get. (Saunders, Lewis & Thronhill 2007, 265-267)

The reliability and validity of this research is high in my opinion. Three companies were interviewed about the same subject. This gives a lot of good information but I think having four or more companies altogether to interview would have given more reliable data as then the frequency of mentioned issues would have been higher. The framework for each interview was identical to gain higher comparability between the results. There are two limitations here and the first one is the interviewer, who has to stay neutral throughout the whole interview. By neutral I mean that he/she has to let the interviewee answer the questions freely without giving ideas or opinions of his/her own. If the interviewee is led to a specific answer either by accident or on purpose, it is no longer his/her own idea, thus, worthless. The second limitation is the framework for the interviews itself, which might not be sufficient enough or precise enough in the end.

6 RESULTS OF THE RESEARH AND CONSIDERATIONS OF THE RESULTS

In this chapter, my case companies will be briefly introduced. Also their operations in China, meaning their reasons to originally go there, present situation and their future plans will be explained alongside with their modes of operations. This will be followed by the findings about the cultural and communicational issues, roughly following the order of the theory section of this thesis.

6.1 Basic Information of the Interviewed Companies

Three companies in the southern-Satakunta were interviewed for this thesis. Because of a mutual agreement, the names and company specific information have been classified as confidential which is why the companies will be referred with generic terms. From now on, they will be called as company 1, company 2 and company 3. The common divisor for these three companies is that they all have ongoing business operations with Chinese firms and they are located in Satakunta. An identical questionnaire was used for all these three interviews to ensure more comparable data. I also contacted several other companies on the subject but they refused politely or did not answer at all.

6.1.1 Case company 1

The company 1 is located in Rauma where its main factory is located. It also has two other factories, one in Norway and the other in Poland. The company has around 950 employers throughout all three factories and the yearly revenue is very close to 230 million. The company does not have factories or subsidiaries of its own in China but it does have an agent company and it imports components directly to Finland. The agent company searches for new suppliers and keeps in contact with the old ones to ensure constant flow of supply. All the components and parts will be imported directly to the factory in Rauma where the headquarters and the quality control are located. From there the components will be shipped to the two other factories when needed. The partner companies in China are all located in Guangzhou. The operations in China began at the end of 1990’s, approximately 10 years ago and the company representatives chose the partner companies during several visits. The main idea behind entering the Chinese markets was the trend at that time, the Chinese markets had opened and “everybody wanted to go shopping”. At the moment, the company sees the cooperation not as good as expected. The price of the components is seen as a good thing but the problems with communication and the quality hinders the trade massively. This is why the company is quite unhappy with the present situation. Their guess for the reasons behind the problems might be the volume of the orders, which is quite low. This makes the company seen as uninteresting. The plans for future are “either or”, which means that either the order volumes will have to be risen to a lot higher level or the trade will have to put to an end for good. As an advice, the representative of company one states that “You should go to China but only after thorough consideration. You have to be prepared for everything and change your way of thinking completely as it cannot be compared with the European way.”

The representative of the company 1 is a buyer, whose area is the whole of Asia. The main ways of communication are e-mails and telephone conversations, which are usually used on a daily basis. There have been numerous company visits to China but she has not yet attended on them. She has seen the suppliers on their company visits to Finland and also during the visits to the factories abroad, mainly Poland. In addition to these, she has also met the representatives of the partner companies at various expos, for example, in Frankfurt.

6.1.2 Case company 2

The company 2 is located in Eura where it has its only factory. The company employs around 230 people and the yearly revenue rises at about 100 million. The company has invested remarkably during the last few years on new equipment and has modern machinery like nowhere else in the Nordic countries which gives it a competitive advantage. The closest competitors are located in Germany and France. The company has a worldwide sales network even though Europe covers 80 per cent of the annual sales. 17 per cent is sold outside Europe and the remaining 3 per cent is sold to domestic markets. The company uses mainly agents in the markets abroad and to cover the Chinese markets, it has a sales office in Hong Kong and an agent company in Shanghai. The agent company is actively seeking new customers, which the products will be exported to. The products exported are refined in the customers' factories to final products which will then be sold in the desired markets. The partner Chinese partner companies are located in the Guangdong province and the partnerships have started roughly five years ago. The reason to go to China was mainly the demand found there. As China is a huge country, the demand is also higher and many companies are willing to pay the higher price for the highly specialized products the company is selling. At the moment, the representative of the company 2 thinks that for one reason or another, the company has clearly not invested as much interest and time for expanding the trade in China as it could have. He believes that there are opportunities for far more than what they have reached. The future plans for the company 2 are still open. The company wants to increase its trade of course, but where and when it will happen is still open.

The representative of the company 2 is a sales director. He is the director of the whole sales department and he has been part of the group who has negotiated the original contracts and deals from the Chinese customers. As the sales department has its own sales manager for Asian sales, he is not in touch with the Chinese clients that often.

6.1.3 Case company 3

The company number 3 has its headquarters in Tampere but is has a factory in Eura and also in Bizhou, China, which qualified it for this thesis. The factory in Bizhou was acquired from a Chinese company recently. The revenue for the first half of the year 2010 was around 930 million. Altogether, it has around six thousand employees in its facilities. The company does not use agents as it has a few sales offices of its own around China. The factory that is located in Eura is in touch only with the sales office located in Shanghai, though. The main business partners in China are located in Wuxi and Bizhou. The main reason to enter the Chinese markets was of course to expand but also to be physically present in the newly, opened, rapidly growing market area. At the moment, the company is increasing its trade in the whole of Asia, China included as the representative of company 3 tells: “We have counted a lot on the growth potential of the Asian markets for the future”.

The representative of the company 3 is a buyer and her area is also the whole Asia. She has not been in touch with the Chinese partners in person but rather via e-mail and telephone. Both of these ways of communication are used often on the every day business matters between the partner companies.

6.2 The Issues Concerning the Elements of Culture and Hofstede’s Cultural Dimensions

The case companies had only one issue related to *technology and material culture* and it was the quality of the products. I also think that this is an issue regarding *aesthetics*. For the case company 1, the quality and the look of the product are of high importance, they have to offer absolutely top quality. This is somewhat because of our western-style material culture, which emphasizes consumption and stylish products. In their own words, the Chinese do not understand the importance of this even after multiple explanations. As the technology level of the factories is high and sometimes the products are of the highest quality possible, I think the main issue is the Chinese understanding of how the product looks or should look like. They do not seem to set as big value over the look if the product is otherwise functional.

This could also relate on the Hofstede’s *uncertainty avoidance*, as the Finns cannot bear it as much as the Chinese can. This can lead to the situations mentioned in the last paragraph where the Finnish side sees the uncertainty as a huge problem and the

Chinese side cannot understand the reason for this, as they can bear this kind of situations a lot better.

The most commonly mentioned issue was clearly the *language*. All of the company representatives agreed on one thing: the level of written English by the Chinese is good. It was also mentioned that this could be because of the general, ongoing westernization that can be noticed when doing business with Chinese counterparts for longer periods of time. One good example of this can be found within the company 3. They have one Chinese employee who has been working abroad for some years now, also in Finland. She has said that when she goes back home, she has to have her own apartment as she is so used to the solitude in Europe. There is no returning back to the old when she used to live with her whole family which is still very common thing to do among the Chinese families.

The spoken language, on the other hand, is often seen as complicated. The known fact is that the speakers of Chinese language cannot pronounce all the letters fluently most of the times. For this reason and also for the issues with different time zones, telephone conversations are rarely used nowadays. They have been almost completely replaced by e-mails. The only exceptions are very urgent issues that cannot wait. E-mail is also seen as a better solution because you always have some written proof of the conversations that have taken place.

The representative of the company 2 states that “When you really want to get to the core of some issues, and you want both parties to really understand everything, there is always the language barrier. Especially if the issues are related to some product-technical matters of how certain products should be like, in order to work in an application. That is troublesome.” As he does not mention difficulties in normal, everyday issues, I think this hindrance occurs mainly with the issues where the language is really complicated and full of special terms only related to that exact topic. Or, “When unforeseen problems arise”, as the buyer in the company 3 says.

The *education* issues arose only twice during the interviews. First was when the discussion was about the Chinese businessmen asking so many questions. This led to a case where the buyer of the company 3 told me she had received questions concerning the location of Finland. Their Chinese partners could not understand how it is possible that shipping from Finland can take longer than from the rest of the Europe. In my opinion, these kinds of issues are somewhat results of the elementary school where the general knowledge is learned. It is worth to mention that these can hardly be described as difficulties. I would rather call them oddities.

The other issue concerning education also comes from the experiences of the buyer working in the company 3. She said, that “They (the Chinese) might not have all the needed know-how of the European business practice but on the other hand, it is most likely reciprocal.” This is also related to the issue of Chinese partners asking so many questions. For example, when a letter of credit needs to be changed in any way, the reasons for the changes must be always given and they have to be precise. The Chinese do not seem to understand why something has to be changed and the explanation takes a lot of time when you have to do it often. When dealing with European companies, everyone understands the reasons behind the changes and how things are dealt with, making things faster and easier. The buyer does not know the reason for this but I think it is because of the business education in China. As I have studied in China myself, I have noticed that the Chinese way of studying is remarkably different than in Finland. In most cases, the studying is based on learning things by heart with zero or very little adaption for real life situations. I think this could be the reason as I can imagine that adapting to the working life after graduation in this situation would be very challenging.

I only found out one *religion*-based issue, which is the Chinese New Year. Someone might say that this has nothing to do with religion but in China, I think it has. As the Chinese religions are all intertwined with each other, it is hard to tell the difference from superstitions, beliefs and religion. The Chinese New Year is full of ancient traditions and beliefs that I would describe as spiritual. It is the most important holiday for all the Chinese, and this can also be seen in the business life. The company 1 has had difficulties with its Chinese partner because of this matter. As their sales are very fluctuating, it is important to be able to make quick orders from the Chinese manufacturers. The New Year complicates things, as the representative said: “From the beginning of autumn, the orders should already be sent for the reminder of the year as the company and its personnel are getting ready for the holiday, even though the holiday is not until the beginning of the year! And we get the impression that the holiday should last at least for two months." I do know that the New Year in China is a very big deal, but I did not think it was this big. I actually think that in this situation, the Chinese company is over emphasizing the whole event to make things easier for itself, to wrap up larger deals at a time than many smaller ones. In any case, the Chinese New Year is definitely something to keep in mind when doing business with the Chinese.

For the *attitudes and values*, the main big issues that came up were the concept of time and the effects of the more hierarchical social system within the companies which is also related to the *social organization*. The Chinese concept of time originates from the ancient times and differs from the western-style "time is money" thinking. Doing business with the Chinese takes always a lot of time and the companies reaching for Chinese markets should know this. The buyer in the company 1 said, that "When there is a task at hand that takes, at minimum, one week of time with the domestic partners, it can sometimes take almost a full year with the Chinese partner." In my opinion this is a little extreme and it is impossible to prepare yourself for such. In most cases the Chinese do think their answers and offers for a long time but not this radically.

The hierarchy within a company is sometimes highly complex for a westerner to understand and to deal with. The company 3 has had difficulties with it: "When there is a problem, something more than just a common one, the things move to a higher level and then continues there." This can easily happen, as in many cases the manager who you are dealing with in China might not have any power over things outside his/her daily duties. On a situation like this, where his/her area is exceeded, the case moves to the higher ranking manager or his superior. The lack of communication between the managers and their subordinates and between different units adds some barriers to the situation, confusing it even more. In these situations, I think that the best solution would also be to let the higher ranking manager in your company to handle them. The Chinese managers do not like to handle things with lower ranking personnel so a manager with similar status level can ease things a lot.

The hierarchical issues found within the operations of these companies are also fully supported by Hofstede's study on *power distance* dimension. China has a score of 80 on the power distance index which ranks it as one of the highest countries in the world with it. This gives room for the idea that people with high power can set the rules which will be followed. To keep one's reputation high as a manager, this has led to the Chinese manager's way of thinking that there should be a large hierarchical distance between the employees and the superiors.

6.3 The issues found within communication

Cross cultural communications between the Finns and the Chinese seems to be the cornerstone of the single-largest problem hindering the trade and business growth. I was hoping that this would, little by little, become a thing of the past but the interviews proved differently. All three companies have had problems considering the communication. Some have experienced smaller issues, some huge setbacks. Let us start with the most known issue of them all, the *Chinese never say no*. They do not usually say yes either, and when they do, it might not mean yes at all. Chinese are masters of avoiding direct answers. As the representative of the company 1 has noticed, "Yes never means yes, it is just a way to lengthen the schedule of the matter at hand." If this is not taken into consideration, possible misunderstandings will be more the rule than the exception.

One important part of face-to-face communications is the use of an interpreter. It was clear from the interviews that the use of an interpreter is seen as a negative issue. Even if the interpreter was from the agent company who knows the backgrounds of the negotiations and can provide fluent language skills, the information that the manager receives via this way is poor. It is difficult to make decisions when the original sentences cannot be understood and the context is not perfectly clear.

Also, a common issue which was encountered by the companies is the concept of *losing one's face.* This relates to the *social organization* as well and avoiding the answers that might be too straight and it affects the communication on all levels. The Chinese way of saving one's face is such an integrated part of the whole culture that it cannot be exaggerated. The case companies have had many major problems that are because of this in the first place. The way this came up the most is the silence. This occurs typically after something has gone wrong, for example, when a bill of lading is lost (more of this later on in this chapter) or when an order has arrived and the whole shipment is of poor quality. The Chinese do not want to admit they have made mistakes as this is a way to lose ones face. Also, because of this, when someone needs to be blamed, it is often someone on the third-party side. In any case it will not be the high ranking manager in the partner company. The second most common issue was the indirect answers, which were seen as complications as said in the last paragraph. These are also results of the face system as if a manager promises something that the company cannot eventually fulfil, it is again a reason for his face to be lost. That is why they always try to provide answers that will not get them cornered with this kind of situations.

6.4 Matters of Business Culture

The findings about business culture were not as plenty as I had thought they would be but nevertheless they offer interesting information about business visits, negotiations and the Chinese business style and habits. The reason for the small amount of results on this subject might be because of the framework of my interviews. The focus could have been more into business cultural issues.

6.4.1 Business visitations and negotiations

All three companies agreed that company visits and negotiations are always successful. Chinese are excellent hosts and almost too kind. All the issues are always dealt thoroughly in detail even if the time consumption is high. The visits are always heavy, but in a good way. The negotiations are always very long and precise but the mood is very comfortable; you sit down, discuss the issues at hand, drink green tea and there is no hurry. It feels almost like you would be visiting your friends. The company which had problems with the quality also considered the factory visits as very fruitful. After the visits, the quality issues have always vanished for certain periods of time but then returned. All three representatives also agreed that they have not visited their Chinese partners enough or as much as they would need to. The reason behind this is mostly financial as the present economical situation of the companies is challenging.

6.4.2 Business style and habits

The working habits and the business style of the Chinese were also mentioned in the interviews. It was said that the Chinese are really hard workers which sometimes amazes their Finnish colleagues. It can clearly be seen that they are very eager to learn the western business style and that is why they are always asking a lot of questions: to conquer this thirst of knowledge. One thing was especially praised by the company 3, the fastness of replying to e-mails and requests. According to the manager, the e-mails are answered promptly day and night, which on the other hand raised questions about the work ethics (more of this in the next chapter).

The overall kindness of the Chinese was likewise mentioned. They are always very polite, even during the times of conflicts and problems. One of the interviewees had also adapted herself to the Chinese style of eloquence, which has been beneficial according to her. She said that "No matter how difficult the issue is, you can always overcome it with kindness". I really like this idea myself as it could almost represent the conclusions of this whole thesis by itself.

6.5 The Correlation of the Chosen Mode of Operation and the Problems Found Within the Cross-Cultural Operations

The company 1 has clearly had the worst experiences in the trade between its Chinese partners, compared to the other two companies. There might be some correlation with the chosen mode of operation and the problems found. The company 1 is the only company which does direct importing from China alongside with its sales; the two other companies are mainly exporters in those markets. The problems the company 1 has been facing were mainly quality issues, which could not even occur with the exporting operations of the other two companies. One could draw a conclusion here, in which you could say that the importing is more unreliable and risky than exporting. This might be true but, in my opinion, I do not think that the sample of these three companies interviewed for this thesis is enough for this kind of deductions. Maybe when five companies of each mode would be represented, the results would be reliable enough and it would almost need a research of its own. These are the reasons why I will not take this correlation into account in this thesis.

6.6 Results From the Student and Teacher Interviews

Sadly, the results of the student and teacher interviews were not as significant as the company interviews. The data acquired was mainly irrelevant to this research but some similarities could be discovered. The Chinese way of indirect communication was mentioned by all of the Chinese interviewees. The main point was that they believed that the more direct way of communication by the Finns was far less complex than the Chinese indirect way. Some of the interviewees went even as far as stating that the Finnish style was a lot better as the complexity was gone, making the communication more relaxing and effective.

6.7 Interesting Additional Results

This section contains other, interesting findings and cases that are out of the area of my theoretical framework but which, regardless of that, I wanted to introduce. I think that they are strongly related to this research as they provide additional information on the subject by giving examples of issues that a foreign manager might run into when dealing with the Chinese business partners.

6.7.1 Possible ethical issues regarding the working conditions and the working hours

Within two of the companies, questions about ethical were brought up. In the first case, the working hours of the Chinese workers were wondered. When the buyer in the company 3 sent e-mails during the day, it was night time in China because of the different time zones. “It feels like they are living at their premises”, she said. This is nowhere near the standard office hours and raises questions about working constantly overtime.

In the second case, the interviewee from the company 1 was thinking about reasons for the high turnover rates of the employees at the Chinese factory. The main reason might be that the work on this field on the whole is rather heavy and dirty which could result in more frequent changes in the work force. She was also hoping that no child labor was used, which is quite unlikely because of the nature of the work.

These are very important and delicate issues but without higher levels of supervision it is sadly impossible to be sure what the working conditions are really like. In the end it would mean making extra investments but in my opinion it would be worth it. Having ethically produced goods is a very good competitive advantage against similar competitors.

6.7.2 Having a company representative in China is a good idea

This paragraph is also related to the one before and the main idea behind it is that the company should have a representative in China. Because of the frustrating issues over the quality matters, the company 1 is facing a difficult choice: whether to have someone permanently working in China as a quality controller or to end the business relationship completely. In my opinion, this should not have to be the case. I personally know one company which sends its quality controller to the Chinese factories at least a few times every year. She is rather happy with this arrangement herself and so is the company she works for as there are no problems such as the company 1 has. Perhaps it is not cheap but it gives good results in return. Both of these approaches would work well and I think that they would indeed profit the company more in the end than struggling with the extra supplies and worthless shipments.

6.7.3 Odd reasons for delayed schedules with the Chinese

Some fairly odd reasons came up in the interviews for the delays. One of them was that suddenly, the Chinese partner informed that the next shipments will be late. When queried for the reason, the answer was that they had no water. This is something that a Finn could have a hard time understanding, how can it be even possible? The reason behind this is unknown for me but I would guess that the huge size of China can sometimes be a disadvantage. Even in Finland, we do have power outages that affect thousands of houses, especially during the winter time. Sometimes fixing these takes a long time, and I can imagine that in China it could take easily twice as much because of the bigger area and sometimes poorer infrastructure.

Another reason has been the labor shortage. The first thing that came into my mind was that how on earth can there be a labor shortage in China, the country with over one billion people? The company explained that because of the recession, people disappeared back to the rural provinces from the big cities. Both of these examples shows that sometimes things that you cannot prepare for can happen.

6.7.4 An interesting case of a missing bill of lading and the consequences

In the beginning I would like to explain what a bill of lading is. It is a document made by the carrier to be given to the shipper. It explains in detail that the specified goods on board have been received for shipping until delivered to the specified location. It is a document of high importance and losing it makes things very problematic. (Perseus Publishing Staff 2004, 303)

The interviewee from the company 3 had an interesting story to tell about one missing bill of lading. The case began with a regular order when the bill of lading was sent to the office of their agent company in China. Soon they informed that the bill of lading was somehow missing. It was searched everywhere but it was never found. It was lost by either the agent company, or the final customer and it took over three months for the problem to be solved. The case was processed in the Chinese court and the end results were surprising: all the fault had been laid on to the shipping company. I never got to hear what happened afterwards but this case is very awkward to any Finn to hear. How is it possible that the third party was announced guilty when the document was sent from Finland straight to the agent? What I think happened was that both the agent company and the customer could not risk losing their faces. This led to a situation where a scapegoat had to be found outside these two parties. This kind of treatment seems very unfair to me but I cannot judge or analyze it further because my knowledge of the matter is very scarce. What I do think is that this is again a good example of the unpredictable events that sometimes occur in foreign trade.

7 CONCLUSIONS

The theoretical part of this thesis consisted mainly of cross-cultural matters which were the elements of culture, cultural dimensions, cross-cultural communications and business culture. At the end of this part, also the modes of operations were explained. Only a few parts of the theoretical side of this thesis were left as unused, or almost unused, meaning that the interviews provided no results related with them. This could be because of many reasons that I do not know but I would guess that the biggest reason would be the framework of the interviews which could have been more specific on certain matters.

Considering the findings, the first thing to mention here is that the markets in China are offering great opportunities to those who are willing to work hard enough to overcome the challenges on the way. As two of my case companies have shown, the challenges are easily beaten with enough patience and goodwill. If this sounds like something not worth investing time and effort in, there is no reason to bother going further.

The Chinese working style and habits differ greatly from the Finnish ones but what many people seem to forget is that this applies to the vast majority of the countries abroad. The habits and style to conducts business in France and southern-Europe, for example, can easily become more frustrating and problematic for some than the Chinese, as said by one of the interviewees. Furthermore, our habits in the eyes of the Chinese are equally strange which should not be forgotten. Overall, the Chinese are really hard-working and enthusiastic. While they might not have as proper knowledge on some issues regarding the foreign trade as any other foreign business people, they are very eager to learn. When a deeper relationship has been established, you will find out that networking is everything and things will start working on your favor. Do not let the Chinese down, and they will not either.

The main problems that have existed since the dawn of time still lie within the communication today. The raw, direct communication style of the Finns combined with the almost opposite, indirect style of the Chinese is bound to raise conflicts. I think most of this can be avoided by raising the overall cultural awareness. We cannot really affect on how the Chinese prepare themselves with our culture so we have to focus on what we can do. This research is a step forward on this matter and even though it only covers the area of Satakunta as a whole, it hopefully acts as a push for similar researches on a broader scale. Only so much of the benefits China is offering have been utilized, a lot more can be achieved.

As the manager in one of the interviewed companies so excellently said, it has to be taken into consideration that China is a fully equal market economy and business partner. Europeans are absolutely not at a higher level than the Chinese in any way. I think this crystallizes the idea behind this whole research in two sentences. When you mind is set according to this idea and you got the patience and genuine kindness alongside with it, the success is almost guaranteed.

This thesis was a part of a bigger research, Bear Meets Dragon, conducted by Anne Vihakara. The results correlate significantly with the results of Vihakara’s doctoral thesis *Patience and Understanding – a Narrative Approach to Managerial Communication in a Sino-Finnish Joint Venture*, which is the basis of this research and with the thesis of Iida Mattila on the same subject, finished already during the year 2010. This thesis strengthens the assumption that most of the problems within Sino-Finnish business relations can still be found in the cross-cultural communication and proves the fact that this known problem has not been defeated.

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APPENDICES

APPENDIX 1 Cover Letter

Hei!

Olen neljännen vuoden opiskelija Satakunnan Ammattikorkeakoulusta ja kirjotan parhaillaan opinnäytetyötäni. Työni aiheena on Etelä-Satakunnan yritysten ja Kiinalaisten yritysten yhteistyö ja kulttuurien välinen viestintä. Etsinkin nyt yrityksiä haastatteluja varten, joilla kerään aiheeseen liittyvää tietoa. Kuulisin mielelläni yrityksenne kokemuksista Kiinalaisten kanssa toimimisesta.

Haastattelun perimmäinen idea on yrityksen perustietojen lisäksi saada jonkinlainen kuva siitä, miten yhteistyö kahden eri kulttuurin välillä onnistuu. Työni on osa isompaa projektia, jonka nimi on ”Bear Meets Dragon”. Projektia vetää yliopettaja Anne Vihakara ja sen tarkoituksena on selvittää Satakunnan alueen yritysten yhteistoimintaa Kiinalaisten yritysten kanssa. Tämä hanke on osa Satakunnan Ammattikorkeakoulun T&K-toimintaa. Mukana olevassa liitteessä on vielä englanninkielinen turkimussuunnitelma koko Bear Meets Dragon projektille.

Olisin kiitollinen mahdollisuudesta päästä haastattelemaan teitä tutkimustani varten. Minuun voi ottaa yhteyttä joko sähköpostilla: juha.pihlajaniemi@student.samk.fi tai puhelimitse: 050-XXXXXXX. Pyrin saamaan haastattelut tehtyä marraskuun loppuun mennessä mutta joulukuun alkukin käy vielä hyvin. Kaikki tiedot käsitellään nimettömänä ja luottamuksellisesti.

Ystävällisin terveisin,
Juha Pihlajaniemi

APPENDIX 2 Interview Questions

YRITYKSEN PERUSTIEDOT

1. Minkä alan yritys?
2. Mikä on henkilöstönne lukumäärä?
3. Mikä on liikevaihtonne?

TOIMINNOT KIINASSA

4. Mitä tuotte/viette/valmistatte Kiinassa?
5. Onko teillä oma yritys, yhteisyritys, tytäryhtiö tai joku muu Kiinassa?
6. Miten/miksi päätitte lähteä Kiinan markkinoille?

YHTEISTYÖ

7. Milloin yhteistyönne kiinalaisten kanssa alkoi?
8. Miksi ja miten yhteistyö alkoi?
9. Kuinka laajaa yhteistyönne on ja miten usein olette yhteydessä?
10. Missäpäin Kiinaa toimitte?
11. Minkälainen verkosto teillä on Kiinassa?
12. Miten koette onnistuneenne?
13. Tulevaisuus yhteistyön ja kiinalaisten kanssa?

VIESTINTÄ

14. Mitkä asiat ovat vaikeita yhteistyössä?
15. Jos viestinnässä on esiintynyt ongelmia, miten olette ne ratkaisseet?
16. Mitkä asiat sujuvat ongelmitta ja mistä luulette tämän johtuvan?
17. Millaisia kulttuurieroja olette huomanneet?
18. Miten nämä kulttuurierot vaikuttavat?
19. Miten otatte huomioon kiinalaiset tavat ja kulttuurin?
20. Miten kiinalaiset ottavat huomioon meidän tapamme ja kulttuurimme?
21. Vierailut Kiinassa?
    - miten sujuneet?
    - minkälainen vastaanotto?
22. Kiinalaisten vierailut Suomessa?
23. Millaisia ovat neuvottelut kiinalaisten kanssa?
    - miten ne eroavat neuvotteluista suomalaisten kanssa?
24. Sattumukset kiinalaisten kanssa?
    - mikä ihmetyttää/suututtaa/naurattaa/pelottaa?
25. Tärkeimmät asiat jotka jokaisen tulisi ottaa huomioon?