

Saimaa University of Applied Sciences
Business Administration, Lappeenranta
Degree Programme in International Business

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Business Environment in Singapore

Bachelor's Thesis 2013

Abstract

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Business Environment in Singapore, 51 pages, 1 appendix

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The purpose of the research was to find out which kind of experience Finnish companies have in Singapore. In addition, the task was to determine the main advantages and disadvantages of doing business in Singapore and which kinds of cultural difficulties Finnish companies encounter in Singapore and how they can eliminate them.

In the theoretical part of the study the first issue was to find out the main advantages and disadvantages of Singaporean business environment. Secondly, the study of Singaporeans' lifestyle took place. The information was gathered from literature, Internet and articles. The empirical part was done by interviewing two Finnish employees who are working in Singapore in different Finnish companies.

The results of the study show that the advantages which were formulated in the theoretical part of the report were supported by the interviewees' experiences. Only one disadvantage was supported by the empirical part. Finnish companies need to study aspects about Singapore such as business etiquette, the way power is used and perceived, different negotiation styles, public holidays, legislation system, mindset of local people and cultural diversity in the country. Further research is required to study the market entry model for Finnish companies to Singapore.

Key words: Singapore, Business environment, Cultural differences, Business culture

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Appendix 1

1 Introduction

1.1 Background of the studies

Many Finnish companies nowadays are expanding their operations in different other countries in the world. This process is called globalisations and it is becoming more and more popular from each year. It is quite hard to find a Finnish company, which operates only locally in the country and does not have any kind of business abroad. After looking for the most popular places for Finnish companies for opening or transferring their business, it was very surprising to note how many of the companies have chosen Singapore. According to the statistics, there are approximately 90 Finnish companies located in Singapore (Pinnerup 2004). Moreover, at that time it was already known that the author of this thesis would go there for an exchange period. It was decided to find out the reasons for so extensive interest in Singapore from the view point of Finnish companies.

Furthermore, the author faced a lot of challenges while being in exchange. They were connected with the big differences between the Singaporean and Finnish cultural environments. These concerns forced the author to think about ways how Finnish companies that are operating in Singapore are overcoming so many cultural differences.

The topic is worth researching because the thesis brings many new ideas to Finnish companies about cultural differences between the Singaporean and Finnish business environments. Besides, if the company is only thinking about transferring their business to Singapore, this study will increase the possibility of success and eliminate the major failures.

1.2 Objectives and delimitations

The first objective of the study is to tell about Singaporean success and how the country has become prosperous. The second purpose of the research is to find out the main possible advantages in Singaporean business environment, which can attract Finnish companies. Hence, the second goal of the study is to

analyze the main disadvantages which can cause difficulties for the companies to organize business in the country.

The next aim of the study is to evaluate the main differences between two business cultures. Furthermore, one more purpose for such extensive studies is to disclose all possible unknown and sudden situations which, as a result, can harm the performance of the Finnish companies in Singapore.

In addition, the aim of the research is to study the company's experiences of making business in Singapore. As a result it adds real life examples to the research. Also, the companies shared the main advantages and disadvantages of manufacturing in Singapore. It helped to outline the main answer for the question why Finnish companies are transferring their businesses to Singapore.

The studies are concentrated only on Finnish companies which are operating in Singapore. This culture is quite specific and divers. The main objectives are focused on bringing the solutions for Finnish companies how to eliminate the main problems with cultural differences.

Moreover, the study made by Geert Hofstede is used only for analyzing Finland and Singapore. However, the countries with the biggest and the smallest scores are mentioned in each study of cultural dimensions.

Also, the study does not include the description of the business etiquette in Finland. This part of the research is concentrated on description of behavior during business meetings, gift giving process, and the styles of negotiations only in Singapore. This research is analysing the main rules of business etiquette in Singapore for the Finnish companies. The study does not include the comparison of the business etiquette of these two countries.

1.3 Research questions

The research question of the thesis is

- What kind of experience do Finnish companies have in Singapore?

This question is chosen because it shows that the study is going to be concentrated only on Finnish companies and only in Singapore. Besides, by

answering this question, the author needs to describe different kinds of experiences which companies have in Singapore. Moreover, the answer to this question includes the real life examples from the companies which operate in Singapore and can describe their experiences.

Additionally to the main research question, there are two sub questions which help to study the topic more precisely. One of them is

- What are the main advantages and disadvantages of doing business in Singapore?

By answering this question, the author shows the main benefits and weaknesses in business environment of the country. The second sub question is

- Which kind of cultural difficulties Finnish companies encounter in Singapore and how can they eliminate them?

This question is chosen because it leads the study to the cultural problems. The answer to this is included in the research about culture in Singapore and cultural differences which Finnish companies have in the country.

1.4 Theoretical framework

The objective of the thesis is to study the business environment in Singapore from the Finnish point of view. First of all, the theoretical framework includes different sources for revealing some basic facts about Singapore. These facts are divided into history of the country, political situation, economic issues, and infrastructure and education systems. The history of the country includes the information on how Singapore has become a very successful and prosperous country. The study about this topic is based on the book "Singapore and Asia in a Globalized World" written by Chia Wai Mun and Sng Hui Ying and different Internet resources.

The information about the political situation is based on the information from the Internet. The website which is used in this chapter is www.gov.sg. This Internet resource gives the information about the structure of the government in the country. Moreover, the Internet resources are used to give the main economic

figures. The websites where this information is found are different Internet sources with recent information.

Additionally to the political and economic system, the information about infrastructure and quality of life is presented. The information about infrastructure includes the description of one of the biggest ports in the world. The part about quality of life is divided into the description of education, public services and transportation, recreation, natural environment, consumer goods and housing.

The analysis of the legal system includes the information about taxes. It shows that in Singapore the founders of their own companies need to pay low tax for the government. On the other hand, the fines are very high and foreign people have to be very careful and study the laws in advance, in case of not breaking them. For this kind of information the information from the book "Living in Singapore", Eleventh Edition Reference Guide and from different Internet resources are used.

The last issue which was evaluated for this part of the research is the process of starting a business in the country. The information about these issues was found from various Internet resources and evaluated afterwards.

Based on an extensive research about the country's political, legal and economic, infrastructure, quality of life and the way how to start a business the main advantages and disadvantages of doing business in Singapore for the Finnish companies are concluded. The advantages are based on economy, education, infrastructure, high quality of life and political situation in the country. One more advantage is based on the process of starting a business in the country. On the other hand, there are also some disadvantages for the Finnish companies of doing business in Singapore. They are connected with the high cost of living, weather conditions, legal issues for opening a business and expensive fines.

Furthermore, the most relevant topics to the thesis work are cultural issues in Singapore. The theories about communicating and working with Singaporeans are considered. It is a crucial aspect to build a precise description about main

challenges in making business and co-operating with this culture. The 5-D model of Geert Hofstede helps to reveal the main and the most important points of Singaporean culture. Hofstede “conducted perhaps the most comprehensive study of how values in the workplace are influenced by culture” (The Hofstede centre). His book “Culture’s Consequences. Comparing Values, Behaviors, Institutions and Organizations Across Nations” and from his main website have been used as resource material.

In addition to the 5-D model, the resources which are describing business etiquette in Singapore are used. The rules for Finnish companies how to act during business meetings with Singaporeans are described with the help of the examples found from the books, articles and the Internet. Furthermore, the book “Living in Singapore” and some internet resources add information about the gift giving process, negotiation styles and business entertainments in the country to the theoretical framework.

Internet websites are used also because some information, for example, economic situation, population, political system and so on has to be relevant. The examples of the Internet websites which were used are: worldbusinessculture.com and guidemesingapore.com.

The structure of the theoretical framework of the thesis was based on the study “Cultural differences Russian companies encounter in Finnish markets.” This study investigates the same issues. Besides, the theories, formulated are also based on Hofstede’s research. Moreover, the descriptions of business etiquette and negotiation styles are present. However, this study introduces the cultural problems which Russian companies have in Finland. Only the structures of theoretical framework are similar and not their contents (Koryakina 2011).

1.5 Research methods

The practical research was implemented for reaching the objectives of the thesis. First of all, it was fulfilled to support the theoretical part of the thesis. Secondly, the reason for the research was to bring more ideas and statements for the thesis. The qualitative method is used for the research. According to the study made by Marshan-Piekkari and Welch, “the selection and application of

qualitative research methods follow a fairly fixed pattern in IB”. Additionally, another study which was made by Harari and Beaty (1990) concluded that “qualitative research has an important role to play in theory testing, particularly in cross-cultural research”. (Marchan-Piekkari and Welch 2004, p. 13.)

Based on these theories about qualitative research, the author concluded that this method would be used for her international study. Besides, the data which was received was in form of words and was estimated individually. The emphases are put on descriptions. This was also the reason of choosing the qualitative research. The author was interested in different experiences of the companies, formulated in a form of sentences, in order to conclude the results.

The research was done in a form of interviews. The deductive logic was used while preparing the questions for the research. First, the information about Singapore and its culture were studied and the final version of the questions was formulated afterwards. On the other hand, some questions in the interview were opened and required a personal opinion. The example of the questionnaire which has been sent to the Finnish companies is presented In appendix 1.

The interviews were conducted with two companies. The name of the first company is “Arnora”. This company is a Finnish company but it operates globally. It operates in a sphere of ICT business and provides its customers consulting services. The interview was conducted with the Business Development Director of APAC region, who is working in Singapore.

The second company is Metsä Group. It is also a Finnish company which operates globally. Their production line includes carton printers, merchants and office suppliers, corrugated packaging manufactures. Their business is concentrated around paperboard, and paper and pulp productions. The interview about their business in Singapore was conducted with the Sales Director in the Singaporean office.

Two cases are presented separately. The first reason for that is that they have different product lines and their organisation and structure is very different. Besides, Arnora has only one employee who is working for the company in

Singapore. His experience of business life in the country is different in comparison to the experience of the interviewee from Metsä Group. At the Singaporean office of Metsä Group there is more than one employee and the person who was interviewed has more interactions with the local people and the local cultures.

1.6 Structure of the study

The thesis starts with the history of Singaporean success. Next chapter tells about advantages in making business in this country. Basically, it answers the questions why Finnish companies choose Singapore for establishing their business. The following chapters cover the hardships when operating in Singapore. The next part of the thesis is concentrated around the study of the Singaporean business culture. Also, the comparison of cultures and cultural differences are presented in these chapters. Besides, the real-life examples and the results of the research can also be found in these chapters. The final part is a conclusion which summarises the results of the study.

2 History of Singaporean success

Singapore is situated in Southeast Asia and is surrounded by Malaysia from the north and Indonesia from the southwest. Singapore is a small country which has a land area of 715,8 square kilometers. Total population of the country is 5 312 400 inhabitants (Statistics Singapore 2012). Being geographically just a small dot on the map, the country has the 3rd place on the list made by the Forbes Magazine of the wealthiest countries in the world (Greenfield 2012). One popular US investor, Jim Rogers, said about Singapore: "Singapore 40 years ago was a swamp with a half a million people. Singapore now, 40 years later, is the country with the largest foreign currency reserve per capita of any country in the world...It is astonishing to come to Singapore and see that everything works" (Why choose Singapore). Jim Rogers said that Singaporean economy is a wonder. It is always interesting to know how this great success was achieved because in the beginning of its existing the country wasn't prosperous and successful at all (A Brief History of Singapore).

The history of Singapore begins in the year of 1818 when the British Lieutenant General Sir Stamford Raffles received an order to find a place which would help Britain to enlarge their trade opportunities with China. By the year 1819, after long searching, Sir Stamford Raffles with the British East India Company chose Singapore. In a few years' time Singapore became a commercial and military center for the Great Britain in Asia. In 1862, together with the Malay Peninsula and Malacca they formed the Straights Settlements and they were controlled by British India. After this in 1867, the Straights Settlements were reformed in a Crown Colony and were ruled by the Colonial Office in London (A Brief History of Singapore).

During the Second World War the Japanese occupied the country. After the war, Singapore was a miserable country with very strong problems such as poor growth of economy, unemployment, the destroyed infrastructure and political instability. On the other hand, that situation provided the inhabitants of the country the desire to get independence. It was achieved in the following years. First, the country became independent from the Great Britain in August 1963 and became a part of Malaysian Federation. After some conflicts with the Malaysian governments, on 9 August 1965 Singapore gained its independence and proclaimed itself as the Republic of Singapore. On this day the country has its National day celebration (A Brief History of Singapore).

In the year, when the country got its independence, the GDP per capita was only US\$512 (Mun & Ying 2009, p. 4). Compared to 2011 this number has increased more than 100 times and became US\$ 60 500 (IndexMundi 2011). The figures have changed dramatically and the country has managed to become one of the richest countries in the world. What are the main reasons for this success?

First of all, after receiving the independence, the country set up five important goals. The government understood that the country needed an accurate path. These five important issues for developing the country included changes and innovations in transportation, health care, education, tourism and financial systems. (Mum & Ying 2009, p. 8.)

One of the goals was to become the hub of the international transportation and logistics. The country achieved this aim by building the port. This port has become the second biggest container port in the world (World Shipping Council 2012). International companies relocate their businesses to Singapore to enjoy this advantage. Moreover, approximately 50 percentages of the world's oil, one third of the global trade and more than 50 000 ocean-going ships per year are going through the port of Singapore. (Mum & Ying 2009, p. 16.) The result is very impressive and it can be concluded that the goal which was set in 1963 was achieved.

One more way of developing the country was to make Singapore a financial "entereport". This goal was also achieved. For example, in the year of 2007 the amount of financial transactions per day was US\$159 billion and US\$3,3 trillion per month. Also, the country has become a creditor nation and is not receiving high standards of living by increasing the amount of the foreign debts like, for example, the US government is doing. (Mum & Ying 2009, p. 11.)

The third goal, which was set after receiving the independence from Malaysia, was to become the International center of tourism. Likewise, this goal was achieved. In 2011 it was calculated that approximately 13,171.3 thousands tourists are visiting the country annually. Most of them are from China and Hong Kong (International Visitor Arrivals 2011). For achieving this goal the country has built a lot of tourist attractions, which makes the life in Singapore very exciting.

The other goal was to become the education hub. The country was developing very fast and that goal was also achieved. For example, according to The Times Higher Education World University Rankings made by Thomson Reuters, National University of Singapore is on the 40th place out of 400 best international universities (World University Ranking 2012).

In addition, according to the report "U21 Ranking of National Higher Education Systems", made by Universitas 21, Singapore has the 11th place on the list of world's best suppliers of high education. Furthermore, one specialist had called Singapore as "fast becoming the education hub" where "Singapore's unique East meets West character". Moreover, according to the study made by

Business Standard, the education in Singapore is described as “more affordable than in the USA and United Kingdom”. The prices are approximately 20-25 per cent cheaper in Singapore. (Rikvin 2012.)

The last goal concentrated on becoming the health care hub of Asia. Likewise, this goal was achieved. The amount of international patients in Singapore is increasing from year to year. They come for different kinds of care like cardiology, neurology, organ transplantation and others. The country is the leading county in Asia in providing health care services. Also, there are a lot of international health care companies which are establishing their business in Singapore and help to develop the medical services locally. (Singapore Medicine.) Moreover, Singaporean Ministry of Health controls all hospitals, clinics, laboratories and nursing homes. This is done to ensure that the provided services are corresponding to the high quality. Furthermore, the government wants to control the prices for the services. It wants them to be affordable by the people in the country. (Mum & Ying 2009, p. 88.)

Based on its history of success, the country has become one of the most potential places in the world for establishing and developing business. All these five goals which were set after receiving the Independence gave the country a push for development and growth. The main paths for success were established. It can be concluded that the goals were achieved but the country still has a lot of potential for improving.

3 Advantages of Singaporean business environment

Singapore is located on a very small territory. There are no natural resources. Moreover, the distance between Finland and Singapore is approximately 12 859 kilometers (Google Maps). However, in 2004 there were already 90 Finnish companies located in Singapore (Pinnerup 2004). Furthermore, the largest companies of Finland have their subsidiaries in Singapore. Some examples of these companies are Nokia, UPM-Kymmene, Nordea Pankki Suomi, Neste Oil, Kemira, Wärtsilä and Kone (100 Largest Companies in Finland; FBC Members). Which advantages do they find in this country?

3.1 Location and port of Singapore

First of all, one of the main advantages of the country is location. The country is located in the heart of Southeast Asia. Furthermore, this fact gives an opportunity for the business to have “an access to a market of 2.8 billion people within a few hour flights.” Also, the country has the status of “a premier International Maritime Centre” thanks to its port. (Why choose Singapore.) It is the second biggest container port in the world (World Shipping Council 2012). Besides, the port is one of the most occupied ports in the world today. Not depending on time, there are approximately 1000 vessels in the Singaporean port. Besides, the port never sleeps and every 2-3 minutes there is a ship which is either arriving or departing from the port. Moreover, one more big advantage of the port for the business is that it is connected with 600 ports all over the world. (Maritime Singapore.)

The presence of a port in a country gives international companies an opportunity to export and import their products. It gives the opportunities of expansion to trade not only to Asia but all over the world. In addition, the operation processes of the port are fast and very-well organised. It provides the companies with the stability and confidence that the services at the Singaporean port will be submitted on time.

3.2 Tax system

In addition to the well-organized port and strategic location, the country has a very good tax-system for the business organisations. For example, the personal tax rate for the first S\$20 000 (12 532 euro) is 0%, for the next S\$10 000 (6 266 euro) it is 2%, and for the next S\$10 000 it is 3,5%. The personal tax rate for the following S\$40 000 (25 065 euro) is 7%, for the following S\$40 000 11,5% and for the next limit it is 15% and the following one 17%. For the next S\$120 000 (75 195 euro) the personal tax is 18% and the tax rate on S\$320 000 and above (200 520 euro) is 20%. (Singapore Income Tax System; Currencies Centre.) For the comparison, in Finland, the personal tax from 15 600 to 23 200 euro is 6,5%. From 23 200 to 37 800 euro it is 17, 5%. The following tax rate is 25,5%

on 37 800 to 68 200 euro. For the income of 68 200 and above, the tax rate is 20%. (Nordic eTax 2013.)

Furthermore, the corporate tax rate system also gives an advantage for the companies for the establishing their business. The tax rate on corporate profit is 8,5% when the sum is up to 300 000S\$ (187 987 euro) and above this sum, the tax rate is 17%. An additional advantage for the companies in Singapore is that the tax rate on capital gains accrued by the company is 0%. Moreover, the tax rate on dividends, both received and distributed, is 0%. The tax rate on income, which was earned abroad and not brought to Singapore, is 0 % (both for the companies and individuals). Furthermore, tax rate on income which was gained abroad and brought to Singapore varies from 0 to 17%. (Singapore Income Tax System; Currencies Centre.)

It can be concluded that there is a big difference between Singaporean and Finnish tax systems. In Singapore, people have to spend a smaller amount of money on taxes. Therefore, Finnish companies choose Singapore for establishing their companies.

3.3 Government

Based on the companies' experiences, one more advantage which attracts Finnish companies to open their businesses in Singapore is the political stability of the country. Nowadays, the country has a parliamentary democracy and the Prime Minister is Lee Hsien Loong. He is the leader of People's Action Party (Wood & Miller & Gold 2010, p. 3).

In Singapore, a legal system is written under the English common law. On the other hand, there is also a President in Singapore who is taking care of appointing the Prime Minister of Singapore. At present the President in Singapore is Tony Tan Keng Yam. The President gives advice to the Prime Minister. Besides, the President is also responsible for selecting the Ministers from the Members of Parliament. (Singapore Government 2012.)

The Constitution of Singapore gives the fundamental principles for the three main organs which are The Executive, the Legislative and the Judiciary. The Executive consists of the Cabinet, which is taking care of the general direction

of the government. This organ is not so important as the Parliament because the Parliament represents the Legislative organ, which is responsible for endorsing legislation. Besides, the third organ the Judiciary has to independently administer justice which is guaranteed by the Constitution of Singapore. (Singapore Government 2012.)

According to the research made by one Singaporean consulting company, the government in Singapore affects the business environment in a positive way. The government “decides priorities and sets regulations using a rational, pro-business approach”. Moreover, the government helps Singapore to become one of the most industrialised nations in the world. As a result, the country has the best political stability in Asia. Furthermore, according to the research made by World Bank, the country has the easiest conditions of doing business. (Why Chose Singapore.)

One more reason to name the government system of Singapore as an advantage for the Finnish companies is the corruption level. According to the results received by Transparency International organization, Singapore is on the fifth place on the list of the least corrupted countries in the world (Corruption Perception Index 2012).

3.4 Starting a business

Another beneficial factor in the Singaporean business environment is that it is very easy to start a business in the country. First of all, Singapore Companies Act states that every person who has reached the age of 18 can register a company. The most common type of a company in the country is a private limited company. It is the most widespread type of the companies in the country and the reason for that is the tax system for these companies.

According to the definition from the Business Dictionary, a private limited company is “a company that offers limited liability, or legal protection for its shareholders but that places certain restrictions on its ownership.” The restrictions are described in the company’s regulations. The aim of these restrictions is to prevent any hostile takeover attempt. According to the first restriction if the shareholder wants to sell or transfer its shares, first, he needs

to offer them to another shareholder. The second restriction prohibits the shareholders to sell their shares to the general public over a stock exchange. The third restriction requires that amount of shareholders do not exceed a fixed number. (BusinessDictionary.)

The information which is required for the company's registration includes the company's name, description of business activities, shareholders particulars, directors particulars, registered addresses, company secretary particulars, memorandum and Articles of Association. The bureaucracy was minimized in Singapore and usually it takes one or two days to incorporate a company (Singapore Company Registration Guide). For the comparison, in Finland the process of registration the company takes up to fifteen days and more documents are needed to be collected. (Set up a Finnish company 2010.)

3.5 Economy

One more advantage which Finnish companies find in Singapore is the prosperous economy performance. According to the statistics received from the Central Intelligence Agency, the country has one of the lowest unemployment rates in the world. The unemployment rate is 2% and the country has the 14th smallest unemployment rate in the world. Besides, the country's GDP per capita is \$60 900 and it is the 6th biggest in the world. Singaporean GDP equals to \$326,7 billion. (Economy overview 2013.) The companies which are starting their business in Singapore can enjoy its economic strength. Moreover, for the Finnish companies it is an important factor because Singapore and Finland both have economic stability and wealth.

Singapore is in the third place on the list of the richest countries according to its GDP per capita. Besides, Singapore has a "large current account surplus, balanced fiscal budget, high savings rates and zero foreign dept." The author of the article "Who will win the currency wars?" James Gruber mentioned that these statements are "not bad for a country with no natural resources and small population". He is also calling Singapore "the new Switzerland" and he is sure that Singapore has the strongest currency in Asia and will continue to have it in the future. (Gruber 2013.)

3.6 High quality of life

According to the research made by Janus Corporate Solutions Pte Ltd one of the big advantages in Singapore is that the country has a high quality of life. It is important for the business because many Finnish employees, who are moving to Singapore, take their families with them (Why Chose Singapore). The main factors, which determine the quality of life, are political and social environment, economic environment, socio-cultural environment, health and sanitation, education, public services and transportation, recreation, natural environment, consumer goods and housing. The studies have already concluded that the political and social environment, economic environment and education system are very successful. Besides, the socio-cultural environment is described by the company, which made the research, as “a unique blend of cultures and people”. Furthermore, the research is describing Singaporeans as “honest, highly disciplined and extremely hard-working”. Furthermore, according to the HSBC’s 2010 Expat Experience Report, Singapore is among the twelfth best places in the world for expats. Moreover, the country is very safe and terrorist bomb attacks, mass shootings, serial killings have never happened in the country. (Guide to Quality of Life.) Based on these statements it can be concluded that the social-cultural environment is an advantage of Singaporean business environment.

According to the goals, which were set and achieved for the Singaporean development, it can be concluded that the health system is also organised according to the high standards. Moreover, the country calls attention to its inhabitants to the ecological problems and advertises green environment and a healthy way of live. (Guide to Quality of Life.) As well as in Finland, the health and sanitation environment is successfully organised by the government.

Furthermore, the struggle for the green environment improved the situation with the public service and transportation. The company, which made a study about Singaporean quality of life, is describing the city as “clean and green and free of traffic congestion”. Besides, the country has a very good transportation system. It includes, clean and not expensive busses, metro, taxis. All the means of transport have air condition. Besides, as it was already mentioned, the country

has a very good port which is world-famous. Also, the Changi Airport, which is the main airport in the country, has already won many prizes consistently. (Guide to Quality of Life.)

Besides, the standards of living are characterized by four additional aspects. One of them is recreation. In Singapore there are many places to visit such as shopping malls, restaurants and cafes. Also, there are bars, night clubs, cinemas music festivals and exhibitions, which are making life exciting and interesting. The next aspect which was taken into account is the natural environment. There are no hurricanes, earthquakes, volcanoes in Singapore. The following aspect concerns an access to consumer goods. It can be concluded that “since Singapore imports every possible item from every corner of the globe, the choice is wide and prices are competitive”. The last aspect of high standards of living is housing. It can be said that compared to many countries with have such high standards of living, the prices of the apartments are still affordable in Singapore. (Guide to Quality of Life.)

3.7 Conclusion of the advantages in Singaporean business environment

The high standards of living give people, who are working in the country, a chance to enjoy their stay there. Furthermore, economic environment and political stability attract foreign companies to open their businesses in Singapore. The low tax rate system and strategic location provide additional advantages for the companies in Singaporean business environment. Hence to many advantages in its business environment, Singapore has the first place on the list of easiness of doing business. Furthermore, the country is in the 4th place on the list of easiness of starting a business. (Economy Rankings 2012.)

4 Disadvantages of Singaporean business environment

There are always some barriers in Singapore which can stop Finnish companies to start their companies there. These difficulties can be connected both with business environment in Singapore and also with the personal aspects, which Finnish employees can have. As a result, both issues can harm the development of the business.

4.1 Expensive prices

First of all, the high living standards in the country have made the city extremely expensive for the living. The country is among the most expensive countries in the world (Advantages and disadvantages of incorporations). The most expensive are the prices for rent of the apartments in Singapore. For example, according to the Internet source, the rent prices in the country are 166,59% higher than in Finland. Also, according to the same source, consumer prices are 3,40% higher than in Finland and consumer prices including rent are 45,64% higher. (Cost of Living Comparison 2012.)

4.2 Legal issues for opening a business

One more disadvantage concerns the process of opening a business in Singapore. There is a law which declares that the company must have two directors and one of them must be a Singaporean resident, a native Singaporean, or the person must have a Singaporean Employment Pass. Besides, it is necessary to have two Singaporean agents who will be representing the company in the country, if the foreign company wants to be registered in Singapore, These two agents must be native Singaporeans, a Singaporean residents, or have a Singaporean Employment Pass. (Advantages and disadvantages of incorporations.) It creates difficulties for Finnish companies because they need to find assistants in Singapore in order to create their businesses there. This process requires time and usually personal contacts.

4.3 Legislation system

One more disadvantageous factor, which makes the development of business in Singapore difficult for Finnish companies, are fines and very strict rules. It is necessary to study the legislation system beforehand in order to prevent the problem of paying expensive fines. For example, littering is not allowed. The price of breaking this rule is S\$500 (314 euro) and it can go even higher up to S\$1000 (628 euro). One more example of the strict fine system in Singapore is the amount of money which is required for payment for crossing the street in a place, where it is not allowed. The sum equals to S\$500 (314 euro). Also, in

Singapore, there is a law which is saying that the selling of chewing gum is not allowed. (Singapore Legislation.) This rule helps to minimize the costs of keeping the city clean but, on the other hand, it can cause difficulties for the Finns because they do not have this rule in their home country. Besides, it is not allowed to smoke in public places and the price of breaking this rule is S\$1000 (628 euro). These are only a few examples from the legislation system of the country. They support the reputation of a city being named as a “fine city”. (Singapore Legislation; Currencies Centre.) These strict rules are helping to control the people in the country but, on the other hand, they cause difficulties for the Finns who move to Singapore. If the person has not studied the legislation system beforehand, he may be in trouble.

4.4 Weather

According to the research made by Janus Corporate Solutions Pte Ltd, there are some other disadvantages which can disturb the life of the foreigners in the country. These aspects can affect the business organisation in Singapore because they can bother the persons who are organising the business. For example, one of them is the very hot and humid weather. The daily temperature is around 32 degrees Celsius and the humidity level is around 84%. (Things You Might Not Like.) In Finland, there are four seasons and the weather is colder and less humid. It can be difficult for Finns to get used to the hot and humid environment in Singapore.

4.5 Conclusion of the disadvantages in Singaporean business environment

The amount of disadvantages in the Singaporean business environment is significantly smaller than the amount of advantages. However, the business environment is not perfect in Singapore. There are still some things which can be improved. Naturally, it is not possible to change the climate but it is possible to make the cost of living cheaper. Moreover, it is possible to make changes in legal and legislation systems. These changes will improve the Singaporean business environment and will make it even more attractive for Finnish companies.

5 Singaporean business culture

The information about the main advantages and disadvantages of the Singaporean business environment help to make the evaluation of Singapore, as a place for opening a company. The information about economic system, government, legal issues will create the base for the starting point. Afterwards, the cultural issues should be studied. As it has already been told in Singapore, there is a law which requires local Singaporean persons to be involved in the business. The Finnish companies will need to hire somebody from Singapore. It means that communication with the locals will take place. Moreover, the business etiquette is very different in Singapore. The Finns who will be working in Singapore will need to know how to behave during business meetings, negotiations, business lunches and others important business procedures. It is necessary to respect the culture of the place where the business is organised. That is why it is extremely important to make a study about the business environment in Singapore including the research about business culture of the country.

5.1 Lifestyle of Singaporeans

The Finnish companies which are planning to start their operations in Singapore need to understand local people in the country. It is essential to understand the local people's decision making process. For example, there are many things which are affected by the desirable values and lifestyle which the person wants to have. These things are connected with the decision about choosing the product, choosing the place where to buy the product and the purpose of buying the product. Information about the lifestyle will show the main feelings of the consumer, about what he is thinking and dreaming and his beliefs. (Keng & Kwon & Kuan & Jiun 2004, p. 1.)

One of the most interesting studies about comparing values, behaviors, institutions and organization across nations was done by Geert Hofstede and presented in his book "Culture's Consequences". Geert Hofstede has in his book studied more than 50 countries and based on these studies he has formulated the five dimensions of the culture, which are power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus

femininity and long-term versus short-term orientation. He has done his research by conducting the survey in a large international business organisation - IBM. He used the results of more than 116 00 questionnaires and he separated the respondents according to their occupations, ages and genders. (Hofstede 2001, p. xix.)

5.1.1 Power distance

Geert Hofstede described the concept of the power distance as “the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed” (Hofstede 2001, p. xix). It is important to understand this concept because it gives the Finnish companies in Singapore information how to organize their relationships in the company. For example, the concept of power distance helps to understand which kinds of relationships are normal between the boss and the subordinate in the country (Hofstede 2001, p. 83). According to the table which was made by the Hofstede for 50 countries and three regions, Singapore has the 13th place and Finland has 46th. The questions for formulating the Power Distance index were chosen after the theoretical reasoning had taken place (Hofstede 2001, p.55). As a result, countries have an index value range starting from Austria, which has the smallest power distance index of 11, and ending with the largest index of 104, which belongs to Malaysia. Singapore has an index of 74 and Finland has a lower index which is 33. (Hofstede 2001, p. 87.)

Singapore and Finland are very different in the way, the power is distributed and how the people in these countries assume the concept of power. For example, in Singapore the subordinates are seeing their managers as “well-meaning autocrats” and in Finland the subordinates are seeing their managers as “resourceful democrats”. Moreover, the subordinates in Singapore “expect and accept to be told” what to do but in Finland the subordinates “expect to be consulted before a decision is made”. (Hofstede 2001, p. 103.) In Singapore, managers trust the decision making process to their bosses. The way the managers communicate with their bosses is formal and indirect (What about Singapore). In Finland, the managers appreciate their team members according to their experience. Moreover, the hierarchy system is used only for the

convenience of the organisation and everybody has equal rights. The supervisor can be accessed and he is a leader whose main responsibilities are to coach, endow with the motivation and increase the strength of his team. Opposite to the Singaporean style of communication, in Finland, the communication style is direct and informal. It is normal to address the boss by his first name. (What about Finland.)

Another study about the power distance index in Singapore was made by Pheng and Yuquan. The study was based on the research made by Geert Hofstede. It has been concluded that in Singapore “superiors and subordinates consider each other as unequal”. Moreover, the study has found out that “the hierarchical system is felt to be based on some existential inequality”. Likewise to the study made by Hofstede, the research made by Pheng and Yuquan has concluded that “subordinates are expected to be told what to do”. The managers in Singapore believe that they have the rights to have privileges. (Pheng & Yuquan 2002.)

According to the study about power distance it can be concluded that Finnish companies, while transferring their operations to Singapore, should take into account the differences. Singaporean workers will expect a lot of control from their bosses. If Finnish companies are transferring their business to Singapore or open a new one, they have to understand the communication style at work. Furthermore, they need to understand that Singaporeans will expect that they will be told what to do and will not show their initiative.

5.1.2 Uncertainty avoidance

According to Geert Hofstede the concept of the uncertainty avoidance means “the extent to feel either uncomfortable or comfortable in unstructured situations”. By the “unstructured situations” Hofstede refers to the situations which are “novel, unknown, surprising, different from the usual” (Hofstede 2001, pp. xix- xx). According to the American organization theorists Richard M. Cyert and James G. March (1965) it is usual for the companies which avoid the uncertainty in their working environment to concentrate and make solutions for the present problems instead of improving strategies for the future. (Hofstede 2001, pp. 147.) Besides, as Hofstede argues, the companies which are trying to

avoid uncertainty are relying on technologies, rules and rituals. By using technologies, the short-term outcome can be predicted but not the “implicit nonrational value choices”. Moreover, by setting the rules, the companies are trying to make their employees behave in a certain predicted way in order to create the predicted outcome. Unfortunately, only good rules, which match the desires and values of the employees, will be obeyed. The last subject, on which companies are relying on to avoid uncertainty avoidance, is rituals. In the companies the presence of the rituals is not as well recognised, for example in religions or family celebrations. In the companies the rituals are connected with the training programs, computer simulations and business meetings which have their own rules of behaving. (Hofstede 2001, pp. 147- 148.)

According to the table the Uncertainty Avoidance index values for 50 countries and three regions made by Hofstede, Finland has 31st place and Singapore has the last 53rd place (Hofstede 2001, p. 151). The same method for formulating the Power Distance index was used to make the Uncertainty Avoidance index. Hofstede called this method “the eclectic method” because the questions were selected after the theoretical reasoning had taken place (Hofstede 2001, p. 55). According to the Uncertainty Avoidance index values table Singapore has the lowest index which is 8 and Finland has the index of 59 (Hofstede 2001, p.151)

Based on the results of the indexes, Finland is referred to the countries with medium high level of Uncertainty Avoidance. Based on the table about “Key Differences Between Low- and high- UAI Societies I: Family, School, Motivation, and Work Situation” from the book written by Hofstede and Hofstede’s website, people in Finland prefer tasks with results which can be predicted. People do not like to take risks and prefer to work according to the guidelines. They trust security and are trying to achieve it. Besides, in Finland the employees rely on technological solutions and the strategy of the companies is task oriented. Furthermore, innovators experience the restrictions by the rules. The emotional necessity for rules is present and employees have a demand of intensive work in Finland. Employees believe that time is money and punctuality is very common. Furthermore, in Finland there is a strong trustworthiness to the employee and the employment duration lasts for a long time. (Hofstede 2001, pp. 169- 170; What about Finland.)

Singapore is totally different from Finland. Based on the same table, which is used in a study about Finland and Hofstede's official website, the situation with the Uncertainty Avoidance index brings totally different results. As it is stated on a website "in Singapore people abide to many rules not because they have need for structure but because of high Power Distance index". In Singapore innovators experience the independence from the rules and innovation is welcome. The company's strategy is relationship oriented. Contrary to Finland, where employees naturally are accurate and punctual, in Singapore these abilities should be studied and achieved. In the country, there is a weak trustworthiness to the employees and usually the working contracts are made for a short period of time. There is a preference for tasks with unknown results and unmeasured risks. (Hofstede 2001, pp. 169-170; What about Singapore.)

According to the study made by Pheng and Yuquan in Singapore, people "feel less threatened by ambiguous situations". Moreover, this study also has concluded that people in Singapore want to take risks. Furthermore, conflicts and competition are solved fairly and "are used constructively". (Pheng & Yuquan 2002.)

Finnish companies, which want to operate in Singapore, should put their attention to the Uncertainty Avoidance index. It will be beneficial for them to understand some of the values which Singaporeans have. For example, Finnish employees might understand that Singaporeans have to learn how to be punctual and accurate and these issues do not come naturally, like in Finland. Moreover, Finns are required to take into account that people in Singapore are more concentrated on the tasks with the unknown results and do not avoid taking risk. Hofstede has noticed, in countries, like Singapore, with low Uncertainty Avoidance, there is "a hope of success" and in countries, like Finland, where this index is high, there is "a fear of failure". (Hofstede 2001, p.169.) Finnish companies need to understand and accept this difference.

5.1.3 Individualism and Collectivism

Geert Hofstede describes this cultural dimension as "the degree to which individuals are supposed to look after themselves or remain integrated into groups, usually around the family" (Hofstede 2001, p. xx). This concept

describes the way people live together in their families and it gives a clue about their values and ways of behavior (Hofstede 2001, p. 209). In a business environment this concept “will affect the organisation’s members’ reasons for complying with organizational requirements” (Hofstede 2001, p. 213).

According to the table with the Individualism Index values for 50 countries and three regions, Singapore has place number 39 and Finland is on the 17th place. Singapore has the index of 20 and Finland has index of 63 (Hofstede 2001, p. 215). The bases for the formulation process of the index were answers on the 14 different questions about work goals from the research about IBM’s employees. The index range varies from the highest 9, which the US has and the lowest 6, which Guatemala has (Hofstede 2001, p.215).

According to the table Finland and Singapore have very different indexes. Finland has an index of 63 which is high and Finland is an individualistic society. It means that in working situations, the decisions about rules must be based on skills only. Besides, the relationships between the employees are “a business deal”. Furthermore, the employees function better as individuals and the training sessions have more success if they are concentrated on individual level. For the business life of the companies, tasks are more important than personal relationships. The companies believe in decisions made individually and an employee can be seen as an individual. (Hofstede 2001, p. 245.)

The situation in Singapore is totally different. Singapore is a collectivistic society. The country has a strong Chinese influence and the Confucian teaching exists in Singapore. A person is not seen as an individual but is seen as a part of a family. Decisions about recruitments sometimes can be based on families’ connections. Employees show their best performance in groups and training sessions have more success when they are concentrated on groups. In business life, personal relationships are more important than tasks and company. Incentives are given to in-groups. In Singapore direct judgments about the performance of the employee is perceived as a threat to a very important harmony. Sometimes the answer “yes” does not mean “yes” because, for the Singaporeans it is more important to be polite rather than to

express their own opinion and feedback. (Hofstede 2001, pp. 244-245; What about Singapore.)

It is crucial for the Finnish companies, which are starting their operations in Singapore, to study this dimension of culture. Singapore is a collectivistic society and belonging to groups is important. Finnish managers have to be prepared to organise their training sessions focusing more on a group level rather than on an individual level. Besides, Finns have to be prepared that in Singapore they will need to formulate their questions differently, in order to receive a truthful feedback from the employee. It is always necessary to understand that a Singaporean employee can give an answer “yes” because for them personal relationships are more important. In Finland the situation is totally different and that is why Finnish managers need to adjust to this cultural difference in advance in order to eliminate the misunderstandings between them and their Singaporeans employees.

5.1.4 Masculinity and Femininity

The dimension of masculinity and femininity illustrates “the distribution of emotional roles between the genders, which is another fundamental problem for any society to which a range of solutions are found; it opposes “tough” masculine to “tender” feminine societies” (Hofstede 2001, p. xx). This index shows “the patterns of male assertiveness and female nurturance” (Hofstede 2001, p. 284).

Hofstede gave the indexes to the countries according to the “country-level factor analysis of scores on work goal importance, standardized for eliminating acquiescence”, which was based on interviews of IBM’s employees (Hofstede 2001, p.41). In the table where the Masculinity Index values for 50 countries and three regions are expressed Finland is in place 47 and Singapore is the 28th. Besides, the index of Finland is 26 and the index of Singapore is 48. The first place, with the score of 95, has Japan, and Sweden has the lowest score of 5. (Hofstede 2001, p. 286.)

Finland, with the score of 26 is considered as a feminine country. It means that in this country, people need “to work in order to live”. Besides, in working life the

difference between genders equals to minimum. Genders are needed to be modest and there are more and more women in managing positions. Moreover, conflict situations should be agreed by the compromises and negotiations. In Finland people do not like to show their status and they are concentrating on a well-being. A successful manager is the one, who has both male and female characteristics. (Hofstede 2001, p. 318; What about Finland.)

Singapore has the index of 47 and the country is in the middle of the table. The country is perceived as a feminine country, like Finland. The atmosphere at a work place is calm and the conflicts are avoided (What about Singapore). On the other hand, Finnish companies need to understand that the situation with the genders is not as equal as in Finland. In Singapore, men still have more power than women and Finnish female managers are required to understand this.

5.1.5 Long-term and short-term orientation

The concept of the long-term versus short-term orientations shows “to the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs” (Hofstede 2001, p. xx). Another definition of the concept is “the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view” (What about Singapore).

Singapore has an index which is equal to 48. The country is in the middle of the list. The country expresses cultural values in order to support long term investments. The relationships very often are driven by status. People in Singapore have a sense of shame. Employees do not hasten with their decisions. (What about Singapore.)

The index of Finland is 45. It is very close to the one which Singapore has. However, Finland has different characteristics in Hofstede’s research. The country is described as short-term oriented. The employees in the country want to achieve quick results and they have a strong demand for the acknowledgement of the truth. (What about Finland.) Furthermore, as it is mentioned in Hofstede’s research, people from the western countries think that

if one thing is right, another thing has to be wrong. In Singapore people consider that adding one thing to another; together these things will create something superior. As a result, there is a pragmatic way of doing business. (What about Singapore.) Finnish companies need to know about these differences and, as a result, create a good working environment for their employees.

5.1.6 Conclusion about the study of Geert Hofstede

Geert Hofstede has completed an extensive research which helps to understand different cultures better and deeper. Finnish companies, while preparing themselves to open their businesses in Singapore, should understand that cultural norms are taking a huge part in the organisational structure of the company's working environment. When Finnish companies are stepping in to the Singaporean business environment they usually do not know how to behave. By using Hofstede's analysis of five dimensions the Finnish companies will manage to make better decisions, evaluate the way of their communications with the employees. Their method of organising the companies will be done according to the way the employees can think and which values they have. Although, the Singaporean society is not homogenous and there are exceptions from Hofstede's theories, but on the other hand, the hidden things will not be so frightening and Finnish companies will get a more confidence from studying the research made by Geert Hofstede. (Hofstede's Cultural Dimensions.)

5.2 Business etiquette

The application of the right business etiquette is very important, while doing business abroad. The knowledge about the appropriate business code will give a chance to the employees of the company to deal with the demanding business problems with confidence. On the other hand, if the business etiquette is not followed, achieving success can be more challenging. (Robinson 2000, p. 1.)

There are three main culture groups in Singapore: the Chinese (76,4 %), the Malays (14,9 %), the Indians (6,4 %). The main religions in Singapore are Buddhism, Islam, Christianity, Hinduism and Taoism (AAhad & Tan 2002).

Singapore is a multi-cultural country. That results in more difficulties for the Finnish employees and managers because they have to understand the business etiquette of people who belong to different cultures and religions.

5.2.1 Negotiation styles

Singaporean managers have different negotiation styles. A research, which was made by AAhad M and Tan about influence of culture on negotiation styles of Asian managers, has divided the Singaporeans' communication styles according to their ethnical group. Furthermore, the research has investigated the main negotiation styles which are intuitive style, normative style, analytical style and factual style and which one of them is used and how often by each ethnical group. (AAhad & Tan 2002.)

For the Intuitive style of negotiations it is common that the person is "warm and animated, when making statements, flexible and creative during negotiations, imaginative in projecting into the future and able to adapt to changing subjects". As the research discovered, the Intuitive style of the negotiations is applied by the Singaporeans on "an average frequency and fairly frequency". Moreover, it was concluded that this style of the negotiations is used more by the Malays than by the Chinese and Indian people. (AAhad & Tan 2002.)

Second is the Normative style. The person who is using this style of negotiations "weighs facts according to a set of personal values". For this kind of style, it is quite usual that the person is using all the communication tools as emotions, power and rewards in order of receiving the best deal. The research has found out that Chinese managers are using the Normative style of the negotiations less often than Indian and Malay managers. The biggest users of this style from three ethnic groups are Indian managers. Chinese managers are using this style less because they believe in developing good and long relationships with their customers, suppliers and partners. Their relationships are built on mutual trust and Chinese managers tend to support good relationships with their partners by the expressing favor rather than exchanging friendship and kindness. This is the reason why the Normative style of the negotiations does not spread so well among Chinese managers. (AAhad & Tan 2002.)

The third style is the Analytical style of negotiation. This style is based on logic and is aiming to figure out cause-and-effect in all problems. Moreover, this style of negotiations evaluates all the advantages and disadvantages. According to the research, Chinese managers are using this style very often. Besides, the research concluded that Indian managers apply this style less frequently. The Indian society is hierarchical and the power is shown. Moreover, Indian managers tend to use emotional connections during negotiation. Indian managers are protecting their point of view and this sometimes can lead to the “increased hostility and competitiveness toward outsiders”. As a result, the disagreements with Indian managers will lead to the aggressive style of communication from their side. These are the reasons why the Analytical style is not spread among Indian managers. (AAhad & Tan 2002.)

The last style of the negotiation, which was studied by the researchers, is the Factual style. For this style it is typical to accept statements in a neutral manner. Furthermore, managers which are using this style “pay attention to details and all statements made during negotiations, and place much importance on proof and facts as related to experience”. The research has shown that Chinese and Malay managers are tending to use this style of negotiation quite often. On the other hand, Indian managers have lower preference to use this type of negotiations. The reason why Chinese are using this style quite often is that their organisations are controlled very often by family members. Furthermore, this style is similar to the Analytic style and hence it is more used by the Chinese rather than Indian managers. (AAhad & Tan 2002.)

The research has found out that the differences in negotiations styles of the three ethnic groups are not very dramatic. Besides, it could be easier to choose the negotiation style according to the ethnic group of the person. The Indian managers are people-oriented. For the negotiations with them, Finnish companies will need a person who can use emotions and “who is adept at handling people”. Furthermore, the Indian managers will show their respect to young managers, who know how to perform. (AAhad & Tan 2002.)

If the person with whom Finnish companies are going to negotiate belong to the Chinese ethnical group it would be useful to prepare clear and easily expressed

ideas. Preparation is important during the negotiation process and it will make a good impression on the Chinese business partner. (AAhad & Tan 2002.)

To deal with the representative of the Malay ethnical group, Finnish companies should remember that personal relationships are very important for the managers of this group. Besides, the Malays express respect to the older generation and to the past owner of the company and can expect the same attitudes from their managers. (AAhad & Tan 2002.)

5.2.2 Business meetings

Finnish employees need to understand how to behave during business meetings in Singapore. As a result, appropriate behavior will be beneficial for the company because it will support good relationships and will not lead to the situation of losing the deal.

During the introduction, the woman should show her incentive to shake hands. A bone-crushing hand grip should not be used. Moreover, when the manager is introducing two people, the name of the person who is holding the higher rank should sound first. If the Finnish manager is presented at the meeting with another Singaporean company for the first time, his name should be introduced by the chair of the meeting and he needs to wait until this moment and should not make the introduction by himself. Moreover, the usage of the first names should be avoided before the counterpart will suggest doing this. Furthermore, Finnish managers need to remember that Chinese persons are introducing themselves by using their surnames. (Wood & Miller & Gold 2010, p. 138.)

The next step of the meeting is the process of giving business cards. In Singapore, the words "name card" is used instead of "business cards". The process usually takes place after the introduction has been made. In some very private companies, the business cards are given and received by the two hands, using the Japanese style. Besides, it is polite to pause and glance at the card when the manager has received it. The business card should be placed in the folder or briefcase. It is extremely impolite in Singapore to place it in the pocket of the pants. (Wood & Miller & Gold 2010, p. 138.)

During the meeting it is important to keep a pleasant and non-confrontational atmosphere. Finnish managers should remember that recriminations are not appropriate during the meeting in Singapore. It is important to know, that the manner, in which relationships are organised, will influence on the partnership in the future. The meetings have to be concentrated on keeping good relationships and harmony. It is also a good idea to leave the problems, which can lead to conflict situations, for the future, when the company will have experienced a success and the relationships will have become strong. (Singaporean Meetings 2012.)

It is a very important aspect to observe the hierarchy system during the meeting. Finnish managers should give the senior managers time to answer the questions. Besides, it is not appropriate to leave the junior members dealing with their older team members during the meeting. Furthermore, it is extremely impolite to come late because it will be perceived as disrespect. During the meetings the language should be clear and the use of coded and diplomatic language will lead to situations where many important topics will not be understood and discussed. (Singapore Meeting 2012.)

5.2.3 Gift Giving

The gift giving process is a very important cultural issue. Finnish companies need to know that Singaporean government has made very strict rules according this ritual in order to control corruption. As a result, it is more common to receive gifts in other regions of Asia, rather than in Singapore. Besides, if a Finnish manager meets with the official government representatives, gift giving process is banned. (Singapore Meeting 2012; Wood et al. 2010, p. 139.)

On the other hand, Singaporeans will appreciate the gifts which come from abroad and cannot be found in their country. When presenting a gift to a group of people, the person who has the highest position should receive the best gift. Besides, the gift should be wrapped and it is considered impolite to open a gift in front of a giver (Wood et al. 2010, p. 139).

While choosing the gift, Finnish companies also should follow some cultural norms. For example, it is not appropriate in Singapore to give scissors, cutlery,

and letter openers. These gifts can be understood as a sign that the relationships are going to end. Moreover, the number four is interpreted by Singaporeans as the unlucky number. One more thing, which is considered as very inappropriate for a gift, is a clock. The reason for this is that in the Chinese language the words “four” and “clock” are similar to the word “death”. For the Indian employees or partners it is not appropriate to give any kinds of leather products. For the Malays a compass can be a wonderful and useful gift, because in their religion they pray five times per day and during this process they must face Mecca. (Wood et al. 2010, p. 139.)

5.2.4 Public holidays

It is very important for the companies to know the timetable of public holidays of the country, where they have business. This knowledge will give Finnish companies the opportunity to understand the local people better. Besides, it will help Finnish managers in the planning process of important events or meetings for their Singaporean companies. It will eliminate the situation when the meetings or events will be arranged on the same day with the public holiday.

The first public holiday of the year is the New Year’s Day which is celebrated on the 1st of January. The second public holiday of the year is the Chinese New Year. In 2013 the celebrations started on 10th of February and continued till 11th of February. This is the celebration of the Lunar New Year. It is celebrated by the Chinese and a huge festival, which lasts for fifteen days, takes place. In 2013 the official holiday lasted for five days, from the 9th of February till 12th of February. Next year, the dates of this official holiday should be checked. (Singapore Public Holidays 2013; Chinese New Year 2013.)

The next public holiday which Singaporeans have is Good Friday. For example, in 2013 this celebration took place on 29th of March. This public holiday is the same one as in Finland. Moreover, one more celebration, which also Finns have, is the Labor Day. The celebration takes place on the 1st of May. (Singapore Public Holidays 2013.)

On the other hand, there are some celebrations in Singapore, which are not present in Finland. For example, the next public holiday after the Labor Day in

Singapore is happening on the Vesak Day. The celebration takes place on the 15th day of the 4th month of Chinese lunar calendar. In 2013 there are three days off, starting on the 24th of May and till the 26th of May. This is a huge celebration for the Buddhist people in Singapore. Usually there is a huge crowd at Buddhist temples, where the rituals are happening at this day. (Singapore Public Holiday 2013; Vesak Day 2013.)

Another celebration is Hari Raya Puasa. It is a Muslim holiday which celebrates the end of Ramadan. The dates for this public holiday coincided in 2013 with the dates for Singapore National Day celebration. The celebration is going to start on the 8th of August and continues till the 11th of August. The Singapore National Day is celebrated on the 9th of August every year, however, the dates for Hari Raya Puasa celebration are needed to be checked annually. (Singapore Public Holiday 2013.)

The following public holiday, which is going to happen, is Hari Raya Haji and it is also a Muslim celebration. The dates are changing every year and, for example in 2013, this holiday will take place on the 15th of October. This celebration is followed by Deepavali holiday. It celebrates the start of the Hindu New Year based on Hindu Lunar Calendar. It is also known as “The Festival of Light”. In 2013 the days off will start on the 2nd of November and will continue till the 4th of November. The dates are changing annually. The last celebration of the year is Christmas Day which is celebrated on the 25th of December. (Deepavali 2012; Singapore Public Holidays 2013.)

5.2.5 Business entertainment

Business entertainment is very popular in Singaporean business environment. Finnish managers need to understand that during business lunches, Singaporeans are socialising and building their relationships. Business entertainment is happening in a restaurant and it is extremely uncommon to have it at somebody’s home. (Successful Entertaining in Singapore 2012.)

The Chinese are using chopsticks for the majority of food and spoons for the soup. However, if the Finns, who take part in the dinner, do not know how to use them, they will use their normal utensils. If the Finnish manager is using

chopsticks he needs to remember not to leave them standing in the rice bowl. Furthermore when the Finnish person has finished his food he has to leave his chopsticks on the table because placing them on his plate will mean that he has not finished. Besides, it is appropriate to leave some food on the plate because when the plate is empty it means that the person is still hungry. (Successful Entertaining in Singapore 2012.)

If the Finnish manager is organising a dinner, it is crucial to remember that Muslims do not eat pork. Malays and Hindus use the spoon together with their hand while eating. The Finns, who want to try this way of eating, need to remember never using their left hand for eating. If a spoon and a fork are given, the rule says to have the spoon in the right hand and the fork in the left hand for pushing food onto the spoon. Moreover, it is important to remember that Hindus don't eat beef and thus the restaurant offering chicken, fish and mutton is the best option for holding a business entertainment in which people from different religions take part. (Successful Entertaining in Singapore 2012; Wood et al. 2010, p. 139.)

5.3 Conclusion for the lifestyle of Singaporeans

Finnish companies need to study and accept the differences between two business environments if they want to have a successful business in Singapore. The way how they are going to organise their negotiations, business meeting, business entertainments and the dates for them, will affect their relationships with their Singaporean partners or colleagues.

Legally, it is not possible to open a business without a local person in the company. This means that Finnish companies will not have a chance to avoid the relationships with the Singaporeans. This is one more reason of studying the life style of Singaporeans. Moreover, the research about Singaporean culture gives to Finnish companies some aspects for their evaluation. Thanks to the research, the companies can choose the most appropriate employees to be sent to Singapore.

6 Case companies

Case companies, which will be presented in this chapter, have been chosen for the practical examples of the thesis. The study will give the support for the statements which were formulated in the theoretical part of the research. Besides, next chapters will help to investigate and study the business environment in Singapore deeper.

6.1 Metsä Group

The production line of Metsä Groups is focusing on tissue and cooking paper, packaging paperboards, pulp and wood products. The core products combine renewable raw materials, customer-orientation, sustainable development and innovation. In 2012 Metsä Group had a profit of approximately 5 billion euro. The number of employees, working for Metsä Group, is equal to 11 500 people. Besides, the company has offices in 30 different countries. Moreover, the company works very actively on research and development processes in order to create new production lines and diversify the use of the current products. One more reason for the research and development is that the company tries to research the ways for more efficient usage of raw materials. (METSÄ GROUP.)

The mission of Metsä Group “is to be a profitable and competitive forest industry group”. Their vision is concentrated on being a profitable Finnish forest industry company which is functioning in the global market. Furthermore, the vision is to integrate “customer orientation, sustainability and innovation”. The main values of the company are responsible profitability, cooperation and renewal. (MISSION, VISION AND VALUES.)

6.2 The description and evaluation of the interview at Metsä Group Company

Metsä Group has been functioning in Singapore for already 10 years. Their office is relying on the main office in Hong Kong. Their office in Singapore can do most of the business decisions independently. The interviewee has been working in Singapore for already 10 years. The position which he is holding in the company is Sales Director of S & SEA carton board BA. The interview with

him was conducted through the email. The document with the questionnaire was sent to him and he was asked to give the answers in a written form. The questionnaire, which was sent to him, can be found in the Appendix 1. The interviewee has sent the answers back on 14 October 2013.

First part of the questionnaire was based on the main advantages and disadvantages, which his company has in Singapore. First of all, he mentioned that the main reason why the company has opened a branch in Singapore is to have local presence at the market and increase the sales and service in South and South East Asia region.

Furthermore, the interviewee has mentioned that his company had decided to open the branch in Singapore in order to be for a present close to a 2,2 billion people market. Besides, he said that by opening a branch in Singapore his company has received a chance to learn a lot about their competitors in Asia. This statement supports the theory about the fact that Finnish companies are choosing Singapore thanks to its location. Furthermore, he said that another reason of choosing Singapore is to enjoy the average 6 % annual economy growth rates in the region.

He said that the main advantage in Singapore is that it is the main hub for all multinational companies operating in different segments such as healthcare, beauty care, branded food products, consumer electronics and cigarettes. It is very easy to cooperate with these companies since they are in the same country. The multinationals come to Singapore because the country is safe and politically stable. One more reason is the low corporate tax. He said that it is a very good advantage which attracts the companies to open a business in Singapore. Moreover, it was added that the flexible employment policy and the fact that it takes only few hours to incorporate a company are also very strong advantages for the business environment in Singapore.

All the advantages, which the interviewee has listed about Singapore, support the theories, which have been formulated by the author of the thesis before. Furthermore, the experience of the interviewee has another side which is connected with the cultural issues in the business environment of Singapore.

The statements about cultural issues, which were given, prove the theories, which were formulated by the author of the thesis.

First of all, the interviewee shared his experience about the differences between the business life in Singapore and the business life in Finland. He said that it is totally different in the sense that most of the business people in Singapore are of Chinese origin and the mindset is very different to the Finnish mindset. It can take a lot of time before any business can take place. This statement supports the theory about the negotiation style of the Chinese people which has been studied before.

Furthermore, he said that the primary difference between Finnish business culture and Singaporean is the working hours. In Finland, people work eight hours per day and five days per week but in Singapore it can be from ten to twelve hours per day and six days per week. In Finland, working conditions are more relaxed than in Singapore. Finnish companies and employees need to be prepared for this. One more reason that was pointed out earlier in the study was to investigate about the dos and don'ts of Singaporean business environment is the presence of myriad types of different religions and people with different kinds of ethnical backgrounds. Moreover, due to the different mindset, it can sometimes be difficult to understand how local people think. Sometimes the interviewee has problems with misunderstanding of local people's behavior during business meetings in office.

On the other hand, the misunderstandings are not seen as big problems. Furthermore, it is normal to ask, if somebody does not understand something. Besides, he mentioned that there had been no serious conflicts between the cultures. In his opinion the best thing in Singapore is the cultural diversity. People with different religions and culture are living in Singapore without any conflicts. Furthermore, the interviewee mentioned that even the very strict rules of Singapore attract him.

Next, the interviewee discussed the customers in Singapore and how they are different from the Finnish. According to the interviewee, customers in Singapore are more willing to take risks. One more difference is that Finns are much less talkative than Singaporeans are.

The interviewee sees no matters which could be improved any further in Singapore. Everything just works well in Singapore. Besides, he thinks that there are not bad things in the working environment of Singapore.

Moreover, the interviewee believes that the Finnish business environment can be improved by some things from Singaporean business environment. In his opinion, the Finnish business environment can learn a lot from Singapore. The whole country and the government are very business orientated. They all work together to improve things in the country in order to get even more foreign companies to Singapore and they understand that nothing comes for free and they are willing to study and work hard for a better future. In Singapore, people and companies are encouraged to improve and make big profits, whereas in Finland companies will be punished with very hefty taxes and stringent employment policies.

The interviewee also gave some advice for Finnish companies, which are going to start their operations in Singapore. He asked them to have an open mind. Besides, the interviewee advised them not to give up if their business does not start immediately flying in Singapore. He said that the process of making business is a long term plan in Singapore and it will take some time.

6.3 Arnora Company

Arnora Company operates in an area of business process development service. It is a Finnish ICT company which is also presented in many countries of the world. The company's service is concentrated on helping companies to adjust their business concepts, to improve their business competence and to increase the amount of sales. Arnora is assisting companies, which are planning to start their internationalisation processes. They are helping their customers to reach their target customers with the right technology. The company's key product is a service package, which has everything, from the planning of the internationalisation till making the first deal (ARNORA).

The company mission is "to assist growth seeking ICT sector companies in the expansion and internationalisation of their business functions". Moreover, the company's vision is concentrated on the customer's trust and need. The

company wants to have a demand for their services in an area of business process development and internationalisation (MISSION AND VISION).

6.4 The description and evaluation of the interview at Arnora Company

The company has been operating in Singapore for more than five years. The interview with the company was arranged by the same way as with the previous. The author of the thesis received the results of the interview October 2 2012. The interview was held with the Business Development Director of APAC Region.

The reason why the company started their business in Singapore is because they have customers there. Basically, it is the same, as Metsä Company has. Furthermore, the interviewee said that their headquarters are supporting their operations in Singapore but the majority of the decisions are done locally.

It was stated earlier in this thesis that the main advantages of Singaporean business environment are location, education, government and tax systems. He said that the government has created probably the best corporate environment for foreign companies to enter their market. The theories, which have been concluded by the author, are supported by the real life experience.

However, the interviewee has some different experience in comparison with the representative of Metsä Company. The interviewee has no problems with cultural differences. He said that there are always "situations" not problems, which can be solved by an open discussion.

On the other hand, the interviewee has noticed the difference between the Finnish and Singaporean business environment, in the way the customers behave. He thinks that Finnish customers are more understanding and more loyal than Asians. Moreover, it was mentioned that in Finland, working conditions are more relaxed than in Singapore. One more difference which has been noticed is that technology in Singapore is not seen as the driver and trust is everything. The interviewee thinks that there are more hectic long days in Singapore. This statement also supports the theories about the negotiation styles of local people which have been formulated before.

There are also some disadvantages, which the interviewee has encountered, while working in Singapore. First of all, he admits that he is missing the different seasons of the weather. Besides, the second disadvantage, which he mentioned, has not been discussed by the author of this thesis. The Singaporean business environment has to start understanding that if they buy a product, they also have to pay for the service delivered by another company.

However, the interviewee thinks that the Finnish business environment can be improved by some things from Singaporean business environment. In his opinion, Finland, like Singapore, can become more sales orientated.

Besides, the advice was given for the Finnish companies, which are going to start their operation in Singapore. The companies need to get someone who has been operating in the country before. It will save a lot of time and money in comparison to the situation where the company sends their own representatives to get things done.

6.5 Conclusion of company cases

These two companies have different kinds of experiences in Singapore. On the other hand, their experiences have supported the statements, which have been formulated by the author of the thesis.

The advantages of Singaporean business environment, which were mentioned by the interviewees, are location, big economic growth, education, tax systems and government of Singapore. Moreover, the process of establishing a company is also seen as an advantage. Furthermore, the presence of multinational companies and the flexible employment policy were also listed as the advantages of Singaporean business environment. The last two advantages were not discussed in the theory part. However, all the advantages which were formulated by the author of the thesis were supported by the interviewees' experiences except health and sanitation, public services and transportation, recreation, natural environment, consumer goods and housing.

The disadvantages, which were mentioned by only one interviewee, were the weather in Singapore and unwillingness of the local people to pay for the services, which are connected with the products, which they are buying. The

interviewees did not mention high prices, the need of a Singaporean inhabitant for the process of opening a business and the legislation system as disadvantages in the Singaporean business environment. Thus theories, which were concluded by the author, were not supported. Furthermore, one of the interviewee has even mentioned that he likes that there is a strict legislation system.

Moreover, both interviewees have mentioned that the business life in Singapore is more hectic than in Finland. The duration of the working day is longer in Singapore. Besides, the working conditions are more relaxed in Finland. Finnish companies need to be prepared for this fact.

As for cultural differences, both interviewees have mentioned that they had never faced serious cultural problems. However, there have been some situations but not problems. It is absolutely normal to ask, if somebody does not understand something.

The cultural diversity is perceived as a big advantage of Singaporean business environment. On the other hand, the interviewees have mentioned some cultural differences. For example, Singaporeans are more willing to take risks than Finns. Furthermore, trust is seen as a driver for the business relationships. However, the interviewees did not mention many facts about negotiation styles of the Singaporean managers. One of the interviewees has noticed that there are many Chinese managers. Their mindsets are different in comparison with the Finns'.

In both cases, the business environment in Singapore was described as very business-friendly. However, according to the advice which the representatives of the companies gave, Finnish companies need to have patience before starting their operations in Singapore. Moreover, it was advised to somebody who had been operating in the country before, rather than to send somebody who had never been there. Finnish companies need to have an open mind. Besides, it was not advised to give up immediately if something goes wrong. In Singapore, business requires time for starting running smoothly.

7 Conclusion

The study, which has been made about business environment in Singapore, has brought many different results for the Finnish companies, which are going to start their operations in Singapore. The first part of the report concentrated on the advantages and disadvantages, which Singaporean business environment has. Some of them, as economic strength, tax system, education and government systems, location, and political stability, were supported by the experiences from the representatives of two Finnish companies, which are operating in Singapore.

The study continued with the description of the cultural differences between two countries. First of all, the five dimensions of the cultures were studied. This research has brought some issues, which have to be taken into consideration by the Finnish companies. The main differences were found in power distance indexes, uncertainty avoidance indexes. Besides, it was concluded that Singapore is a collectivistic society and Finland is an individualist society. The studies were based on the research done by Geert Hofstede.

The following part of the thesis was based on the business etiquette of the Singaporeans. This part will help to prevent business companies from making mistakes during business meetings, dinners, introductions and communications which can lead to harming the relationships. Besides, some of the statements, which were formulated, have been supported by the companies' representatives. For example, the negotiation style, different mindsets and business behavior were seen different in Singapore. Besides, both companies have admitted that the process of building trust is very important for Singaporeans.

The last part presented the case companies. First, the companies' products were described. After that, the information about their mission, values and vision was presented. Only after that, the interview's evaluation took place.

The main reasons why two companies have chosen Singapore for establishing their businesses have been found. The interviewees have supported the advantages of Singaporean business environment, which were formulated by

the author. On the other hand, the information, which was received about the disadvantages, has not supported the author's theories. Two interviewees have not been complaining about expensive prices, legal issues or legislation system in Singapore. The only one disadvantage, which was supported, concerned the weather conditions in the country.

Furthermore, the important issues which Finnish companies need to take into account for starting their operations in Singapore have been found. These things include the different mindset of the local people, cultural diversity in the country, strict legislation system, business etiquette, negotiation styles, how the power is perceived and used in the country. Moreover, it is crucial to remember the differences between Finland and Singapore in two other cultural dimensions, which are uncertainty avoidance and collectivism and individualism. In addition, it is crucial to remember the different public holidays in Singapore. It is important not to arrange business events at these days.

As a result, the study listed the main reasons why Finnish companies need to start their operation in Singapore. Besides, the study has described which cultural differences the companies have in Singapore. Moreover, the main aspects of the business etiquette were covered. For future studies it can be recommended to do research about how a Finnish company can enter the Singaporean market with a deeper analysis of customer behavior and legal system when establishing a company.

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APPENDIX 1
1 (2)

Dear Sir/Madam,

I am a third year student of Saimaa University of Applied Science which is located in Lappeenranta, Finland. I am writing my thesis about cultural differences between the Singaporean and Finnish business environment. I am going to ask you different kinds of questions concerning cultural differences and differences in two business environments. The approximate interview time is 20 minutes. If you wish your answers will be anonymous and only your position in the company will be mentioned in my final report.

1. How long have you been working for the company in Singapore?
2. What is your position in the company in Singapore?
3. Why did your company decide to open a branch in Singapore?
4. Which advantages and disadvantages does your company have in Singapore?
5. How is the business life in Singapore differing from business life in Finland?
6. Does your company here rely very much on the main office in Finland or is it a totally an independent branch?
7. What is the biggest advantage and disadvantage of Singapore's business environment in your opinion?
8. Do you have any problems connected with cultural differences (like business hours, languages, religions, habits and traditions, food)? If yes, how do you manage to solve them?
9. What is the primary difference between Finnish business culture and Singaporean business culture?
10. Do you find Singapore as a very welcoming country for opening a business? Why?
11. In your past positions have you had to deal with any kind of cultural diversity?

APPENDIX 1
2 (2)

12. How is it to work together with local people? Have you had any problems? If yes, which ones and how do you manage to solve them?
13. Do you have any problems with understanding the local people's behavior during business meetings or in the office?
14. How are Finnish customers differing from Singaporeans customers?
15. What do you think is the best thing and the worst thing while living and working in Singapore?
16. Do you think that the working environment conditions are more relaxed in Finland than in Singapore?
17. In your opinion which things have to be improved in business environment in Singapore?
18. Do you think that the Finnish business environment can be improved by some habits from Singaporean business environment? And if yes, by which ones?
19. Which advice can you give the Finnish companies which are going to open their branches in Singapore and also to employees who are going to work here?

Thank you for your answers. If you have any questions you can contact me through email address: mariapolevikova@gmail.com.