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FINNISH LOGISTICS COMPANIES NETWORKING IN
SHANGHAI, CHINA

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The purpose of this thesis was to find out how Finnish logistics companies, currently operating in Shanghai, China are networking. Business networking is forming networks (known as guanxi in China) with new possible business partners or customers. Especially in China these networks should be maintained throughout the business relationship. Business networking is essential for companies, because it enables bigger status and more successful business in China, comparing to the previous status. By interviewing one representative of each of two Finnish logistics companies, I tried to find different factors of what makes networking important in Shanghai, such as how to network, what the advantages and disadvantages are and what the concrete results gained from networking are.

I chose this topic because I was doing my internship in Finnish Business Council Shanghai organization in Shanghai, China spring 2011 and got familiarized with the networking process by arranging networking events and by personally networking through different channels. The five-month-internship taught me how important part of successful business, business networking is, especially for foreign companies in China. I wanted to study how Finnish companies are networking in Shanghai. Since there are few hundred Finnish companies, I wanted to focus on one industry, so I chose logistics companies. By found information, there are currently only two Finnish logistics companies.

The research was done as qualitative research and besides the theory I made two theme interviews by interviewing the representatives of case companies. The theory was divided into three main parts: China, business networking and guanxi. The interviews were done as to support the theory part and to get personal experience from the networking process.

The results of the research show how important part of successful business, business networking is. Results also show that there are more advantages in the networking process than disadvantages. The case companies have got concrete results by mainly networking face-to-face, but also by using other channels for example Internet networks. Companies should consider if starting networking, what channels to use for the best possible results. Networking can happen anywhere regardless the place and time.

SUOMALAISTEN LOGISTIikkAYRITYSTEN VERKOSTOITUMINEN SHANGHAISSA, KIINASSA

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Opinnäytetyön aiheena oli selvittää miten Shanghaissa, Kiinassa toimivat suomalaiset logistiikkayritykset verkostoituvat. Yritysverkostoituminen on verkostoiden (tunnetaan Kiinassa termillä guanxi) muodostamista mahdollisten uusien yrityskumppanien tai asiakkaiden kanssa. Varsinkin Kiinassa näitä verkostoja pitäisi ylläpitää koko yrityssuhteen ajan. Yritysverkostoituminen on tärkeää yrityksille, sillä se mahdollistaa isomman aseman ja menestyksekkäämmän kaupankäynnin Kiinassa aikaisempaan statukseen verrattuna. Haastatteleamalla yhtä edustajaa molemmista kahdesta suomalaisesta logistiikka-alan tapausyrityksistä pyrittiin saamaan selville eri tekijöitä, jotka tekevät verkostoitumisesta tärkeää Shanghaissa, kuten kuinka verkostoitua, mitä hyötyjä ja haittoja verkostoitumisessa on ja mitä konkreettisia tuloksia verkostoitumisesta voidaan saada.

Valitsin tämän aiheen, koska suoritin työharjoitteluni Finnish Business Council Shanghai organisaatiossa Shanghaissa, Kiinassa keväällä 2011. Tutustuin verkostoitumisprosessiin järjestämällä verkostoitumistapahtumia ja henkilökohtaisesti verkostoitumalla eri kanavien kautta. Työharjoittelu opetti minulle kuinka tärkeässä osassa menestyksestä kaupankäyntiä yritysverkostoituminen on, varsinkin ulkomaalaisille yrityksille Kiinassa. Halusin tutkia miten suomalaiset yritykset Shanghaissa verkostoituvat. Shanghaissa on tällä hetkellä noin muutama sata suomalaisyritystä, joten päätin keskittyä yhteen alaan ja valitsin logistiikkayritykset. Löydetyn tiedon mukaan Shanghaissa on tällä hetkellä vain kaksi suomalaista logistiikkayritystä.

Tämä tutkimus suoritettiin kvalitatiivisena tutkimuksena ja teorian rinnalle tein kaksi teemahaastattelua haastatteleamalla edustajia tapausyrityksistä. Teoria jaettiin kolmeen pääosioon: Kiina, yritysverkostoituminen ja guanxi. Haastattelut tehtiin tukemaan teoriaosuutta ja saadakseen henkilökohtaisia kokemuksia verkostoitumisprosessista.

Tutkimuksen tulokset osoittavat kuinka tärkeä osa menestyksestä kaupankäyntiä yritysverkostoituminen on ja kuinka verkostoitumisprosessissa on enemmän hyötyjä kuin haittoja. Tapausyritykset ovat saaneet konkreettisia tuloksia pääasiassa kasvokkain verkostoitumisesta, mutta ovat saaneet myös tuloksia käyttäen muita kanavia kuten Internet verkostoja. Yritysten tulisi pohtia jos alkavat verkostoitua, mitä kanavia tulisi käyttää, jotta saataisiin parhaimmat mahdolliset tulokset. Verkostoitumista voi tapahtua missä tahansa huolimatta paikasta ja ajasta.

TABLE OF CONTENTS

1	INTRODUCTION.....	5
2	PURPOSE OF THE STUDY.....	6
2.1	Objectives.....	6
2.2	Research questions.....	6
2.3	Conceptual frame of reference.....	7
3	CHINA.....	8
3.1	Shanghai	10
3.2	Chinese business culture	11
3.3	Geert Hofstede’s Cultural Dimensions Analysis.....	13
3.4	Finland in Shanghai	16
4	BUSINESS NETWORKING.....	19
4.1	Network	19
4.2	Definition of business networking.....	20
4.3	Benefits	22
4.4	Successful business networking in China	23
4.5	Helpful organizations in Shanghai.....	25
4.6	Networking events in Shanghai.....	27
4.7	Networking sites	28
5	GUANXI.....	31
5.1	Definition.....	31
5.2	Guanxi and business.....	32
6	IMPLEMENTATION OF THE RESEARCH.....	33
6.1	Research approach and methods.....	33
6.2	Validity and reliability	35
6.3	Collecting data and analyzing.....	36
7	RESULTS OF THE RESEARCH.....	37
7.1	Company descriptions	38
7.2	Research findings.....	39
8	CONCLUSIONS AND RECOMMENDATIONS	46
	LIST OF REFERENCES	51
	APPENDICES	

1 INTRODUCTION

This research is about how Finnish logistics companies operating in Shanghai are networking. These logistics companies are providing services for companies to export from China to abroad as well as import to China and logistics companies are relevant for doing international business in Shanghai. According to found information, there are two currently operating Finnish logistics companies in Shanghai. I got familiarized with the two logistics companies in Shanghai while I was doing my internship for Finnish Business Council Shanghai organization in spring 2011. My interest in logistics industry and the networking process in Shanghai were the reasons to choose this specific topic for my research. With the research I will gain bigger picture of the networking process with the Finnish logistics companies' point of view.

People's Republic of China is a rapidly developing country also by its economic environment and international business has become rather important part of business practice in China. China's economic environment has been on the rise since 1970's and China was ranked number one exporter in the world in 2010. Shanghai is one of China's most developed cities and it acts as one of the main business centers in China mainly because of its convenient geographical location. Shanghai is a coastal metropolitan which is located in Yangtze River delta and has one of the world's biggest ports as well as good airport connections. Since international business has become more important in China, also logistics providers are needed.

Chinese people belong to many different groups and are family centered. This is noticed also in business life as Chinese want to form business networks with their partners. The Chinese concept "guanxi" is relevant in order to have successful business in China especially with domestic companies. Guanxi refers to connections and is similar to the concept "network". In other words, successful business in China mainly depends on the quality of guanxi and business networking. The networking process in China requires a good knowledge of Chinese culture, Chinese business culture and the characteristics of guanxi.

2 PURPOSE OF THE STUDY

2.1 Objectives

The meaning of my study is to gain the information how currently operating Finnish logistics companies are networking in Shanghai, People's Republic of China and what are the results of networking.

The purpose of the study is to:

- Get research results of how important part networking and guanxi are in doing business in China, also for foreign companies.
- Combine the personal information of business networking gained from the interviews of two Finnish logistics companies, to theory of what kind of networking is successful in Shanghai.

2.2 Research questions

I divided my research into three main questions which will give all the needed answers to my thesis.

- How Finnish logistics companies are networking in Shanghai and what are the results?
- What is business networking?
- What is a Guanxi-network in China and what is the importance of it?

There are two Finnish logistics companies currently operating in Shanghai, China and I will interview one representative of each company for my first research question "How Finnish logistics companies are networking in Shanghai and what are the results?" to get all the needed answers to better understanding of Chinese business networking in the Finnish logistics companies' point of view. This first question will

give more support to my theoretical part of study. The two last questions I will study in theoretical aspects e.g. what are the facts of business networking, how does it work and what are the benefits and in guanxi-network, what is it, what the importance of it is and how to do guanxi.

2.3 Conceptual frame of reference

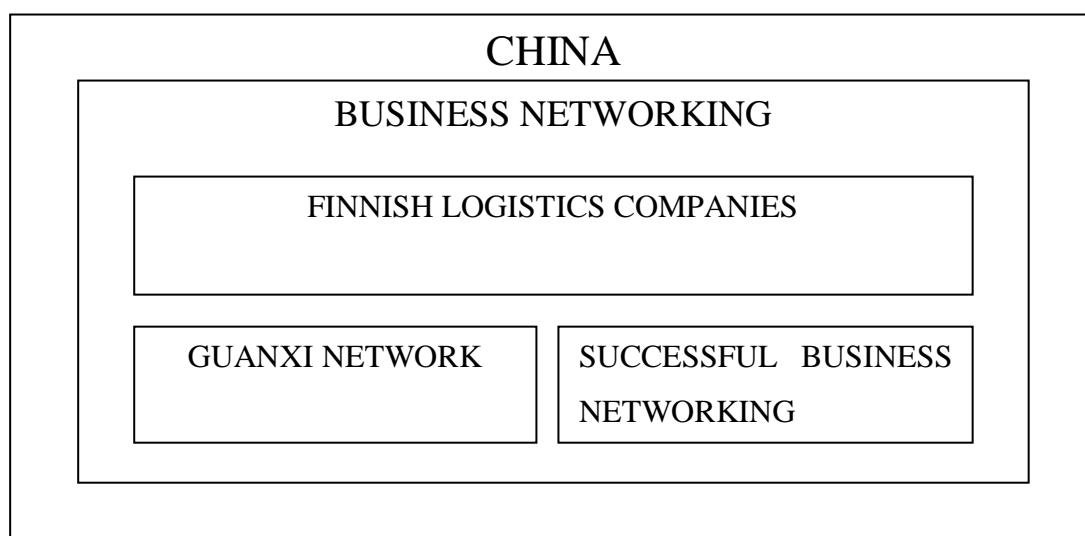


Figure 1. Conceptual framework.

The conceptual framework indicates the theoretical part of the research. The outer level is China where all of the other aspects are related to. It is the platform where all the other aspects are standing at. The next level is business networking and inside business networking there are Finnish logistics companies, guanxi network and successful business networking. When combining these five elements, there is the core question of my research: How are Finnish logistics companies networking in Shanghai, China.

The networking process is related to guanxi which is translated as connections and in China it is believed that without guanxi, a company cannot have business. The last concept is successful business networking, because business networking has to be successful in order for the business to be successful as well.

3 CHINA

People's Republic of China, China by conventional short form and in Chinese Zhongguo is a huge country by both its size of area and population and is located in the eastern Asia, neighboring 15 other Asian countries. Communist state of China is currently ruled by the chief of state, Hu Jintao. China got its independence, after a long period of different dynasties, on 1 October 1949. Behind this independence was one of the most important men in the history of China, late Mao Zedong. China is divided into 22 provinces, which of each province has its own so called capital city. According to China, Taiwan is its 23rd province, but according to Taiwan it is incorrect. Taiwan, Hong Kong and Macau are special administrative regions. Addition to these 23 provinces, the country has five autonomous regions such as Guangxi and Tibet and four municipalities: Beijing which is also the capital of China, Chongqing, Shanghai and Tianjin. (Website of the Central Intelligence Agency 2011)

Over 90% of the population belongs to the ethnic group of Han Chinese and the rest are minorities such as Manchu and Mongol. The official nationality of China is Chinese. As told earlier, China has huge population and is ranked as the highest populated country in the world with the estimated (July 2011) number of 1 336 718 015 inhabitants and the population growth rate was estimated (2011) 0.493%. (Website of the Central Intelligence Agency 2011)

Because of the country's location and terrain China is exposed to natural hazards such as typhoons, floods and earthquakes. In addition to these natural hazards, China currently suffers from high air pollution because of the cause of the economic development in big cities. More people from countryside are moving into cities which have the effect on population density getting higher. In 2010 was estimated, 47% of overall population lives in urban areas. (Website of the Central Intelligence Agency 2011)

China has developed rapidly in the economic environment since 1970's and in year 2010 was ranked 1# as the world's largest exporter. Economic centers in China are mainly metropolitan cities next to the coast: Shanghai, Beijing and Guangzhou and

the Yangtze River delta where Shanghai is also located in. (Website of the Central Intelligence Agency 2011) Challenge in the economic growth is the economical gap between East-China and West-China as the eastern China is more highly developed in economic sector than western China (Tekajarin 2010).

Table 1. GDP (real growth rate) (Website of the Central Intelligence Agency 2011).

	GDP (real growth rate 2010, %)	GDP (real growth rate 2009, %)	GDP (real growth rate 2008, %)
China	10.3	9.2	9.6
Japan	3.9	-6.3	-1.2
India	10.4	6.8	6.2
USA	2.8	-2.6	0
Finland	3.1	-8.2	0.9

The graph above indicates the GDP real growth rate in per cents from years 2008, 2009 and 2010 between these five countries; China, Japan, India, United States of America and Finland. From this graph can be seen how the global economic crisis in 2009 affected on the global economy and how these specific countries survived it afterwards. The crisis affected on least in Chinese and Indian economies in 2009 and these two countries have had also rising GDP (real growth rate) past years. According to the graph and statistics China's economy is getting better since 1970's and is currently ranked 6# in statistics of GDP (real growth rate) comparing to rest of the world. 1st place is held by Qatar with the growth per cent of 16.3. (Website of the Central Intelligence Agency 2011)

To have overall more stable economic environment in China, Chinese government has launched a 12th five-year-plan, March 2011. "The most significant part of China's 12th Five-Year Plan (2011-15) is the focus shift from the export-led sectors to increasing domestic consumer demand by raising Chinese labors' incomes to allow all Chinese residents prosper in this new era." (China's 12th Five...2010)

Since the beginning of 21st century, many companies, including Finnish companies have been outsourcing at least part of their production to China (Tilastokeskus 2008). Main reason for company outsourcing is the low labor costs China has comparing to many other countries, especially in EU area (Klein 2007). In the beginning of 2011 the situation has changed slightly while China has started rising labor costs (Wheatley 2011).

3.1 Shanghai

Shanghai is a coastal city of estimated 23 million inhabitants in Eastern China. More than half of the number is considered as actual inhabitants but estimated nine million are migrants who have moved there from another city or country and are currently living in Shanghai for some time. As the population in the metropolitan city grows, so grows the population density. The population density in Shanghai was estimated in 2010, 3600 inhabitants per km². (Wang 2011)

Shanghai is divided into 16 different districts such as the Shanghai Pudong New Area which is the business center of Shanghai in eastern Shanghai, but can be also divided into West-Shanghai (Puxi) and East-Shanghai (Pudong) with the river Huangpu in between. The old architecture of Puxi shows the history of the city. Originally when Shanghai was founded, Puxi was the first part of Shanghai. Pudong side of the city has developed slower and just since the early 1990's started developing rather fast to become the business center. (Website of the Shanghai China 2011)

In addition to Shanghai's growth in the infrastructure sector, Shanghai has been growing and developing rapidly in other sectors as well such as in foreign trade, education and economic structure. The city has good connections to the world and has good transportation possibilities. The deep-sea port in the Port of Shanghai enables huge vessels by both the length and the depth, to enter the port. (Website of the Shanghai China 2011) Before 2010 Shanghai held the second place in world's busiest container port after Singapore, but in 2010 it took over Singapore and became the world's busiest with the result of handling over 29 million TEU's. TEU refers to twenty-foot equivalent unit or a container used in container transportation. Shanghai

is also no.1 in cargo throughput comparing to the rest of the world with 650 million tons in 2010. (Shanghai overtakes S'pore...2011)

3.2 Chinese business culture

Some characteristics of Chinese culture can be connected to Chinese business culture. Some manners and etiquettes are applied in both, business as in personal life whereas some manners and etiquettes differ. Relationships are important in both and taken good care, but in business Chinese are not as warm as in personal life even if inviting business partners for dinner, karaoke or banquet. These are the places for maintaining good business relations, without talking about business. (Website of the eDiplomat 2011)

Especially foreigners must remember not to start any discussions on politics, religion or shameful topics for Chinese such as divorce. These three are topics which are rather inappropriate in every culture to talk about between strangers. Chinese should also be careful also with the topics they are talking about, because for example it is common in China to have discussions of how much money each makes or what are their marital statuses, which are considered rude topics in the western world. Good topics in China to be discussed would be sightseeing, compliments of Chinese food and other light topics. Losing one's face is very important for Chinese to avoid and they will do anything to prevent it. (Li, Szerlip & Watson 2001, 79-80.)

Negotiations and meetings are situations where Chinese are rather strict, formal and they assume the partner of being formal too. Some internationalized Chinese companies may differ and be more open minded with the business cultural rules. (Website of the eDiplomat 2011) Negotiations take time and patience, since there might be delays and negotiations might last for days. If negotiations will take place between companies with a possible language barrier, an interpreter is recommended. (Li, Szerlip & Watson 2001, 36, 37, 59.) Proper business attire is recommendable. Normally women will wear conservative and modest pantsuit or a dress with a blazer without too heavy make-up. Men will likewise wear a conservative business suit. (Website of the eDiplomat 2011)

As in every culture, also in China non-verbal communication is as important as verbal communication or even considered more important. Non-verbal communication refers to every sign and expression without saying a word and in contrast verbal communication refers to verbally spoken communication between people. If these two are combined, said words and sentences have specific meaning and might change the outcome. (Viswanathan 2010, 23.)

Some small gestures we prefer in western world are considered quite rude in China for instance staring directly into one's eyes when having a conversation. Chinese prefer making glances while having a conversation instead of staring. It is also rude to touch a stranger in China excluding hand-shaking which has become common in China. In contrast with no touching, comparing to Finland, Chinese do not keep big space between when standing in front of someone and chatting, as Finnish prefer to keep. Chinese often think that foreigners talk too much comparing to Chinese cultural habit of being silent occasionally especially in meetings. For Chinese it is also hard to say no, instead they will be silent. This regards partly to the "losing face" thinking. (Li, Szerlip & Watson 2001, 68, 77, 78.)

Knowing numbers and colors with their cultural meanings is important when choosing out gifts for Chinese. Giving out gifts belongs to stronger relationships, so when meeting first time for example a business partner, it is not important to give out any gift. (Li, Szerlip & Watson 2001, 70.) White is the color of death and usually referred to funeral. Giving out white gifts especially flowers is extremely rude. In contrast red is the color of happiness and referred to wedding and happy events such as Chinese New Year and other festivals. Chinese buy gifts always regarding to even numbers for example if giving out money as a gift, the amount has to be even numbers for example 600 CNY, excluding number four which is the number of death. Lucky numbers are six, eight, nine and ten; eight referring to wealth and ten referring to perfection. Six is just a lucky number and nine is imperial number. Often in China people use these numbers in car license plates, phone numbers, number of gifts and important dates for example new factory or office openings. (Pan 2010)

3.3 Geert Hofstede's Cultural Dimensions Analysis

According to Professor Geert Hofstede's studies of cultural dimensions, culture has a huge impact on business. Geert Hofstede has ranked countries by five dimensions: Power Distance Index, Individualism, masculinity, Uncertainty Avoidance Index and Long-Term Orientation. (Geert Hofstede 2011)

Power Distance is regarding to the gap between less powerful person and more powerful person, for instance boss and an employee. The higher the number is the higher is the gap. Individualism is the index which shows if the average person in the specific country is more individualistic or collectivist. The higher the number is the more individualist the person is for example in a workplace, individualist people are used to work individually instead working in groups. Masculinity/Femininity shows the index of how masculine/feminine the country is for example comparing female roles to male roles and the values of these two genders. Masculine country is more success-driven as feminist country aims to achieve good quality in life, by doing work which satisfies the most. Again, as higher the number the more masculine country is. Uncertainty Avoidance Index refers to the tolerance for things that are uncertain and unclear, if people are avoiding these things or facing them for instance in a workplace when comes up tasks which employees may not know how to handle or the given information is unclear, they decide either to avoid the task and maybe give it to someone else or face it by themselves. Overall if the uncertainty avoidance index is high in a country, it means that the government wants to avoid uncertainty by restricting uncertain things by laws, rules and regulations. Long-Term Orientation/Short-Term Orientation refers to values what people has for example if country is ranked more long-term orientated, people focus on goals regardless the time, pressure and devotion it takes, but countries which are ranked short-term orientated have values related more to traditions and culture. (Geert Hofstede 2011)

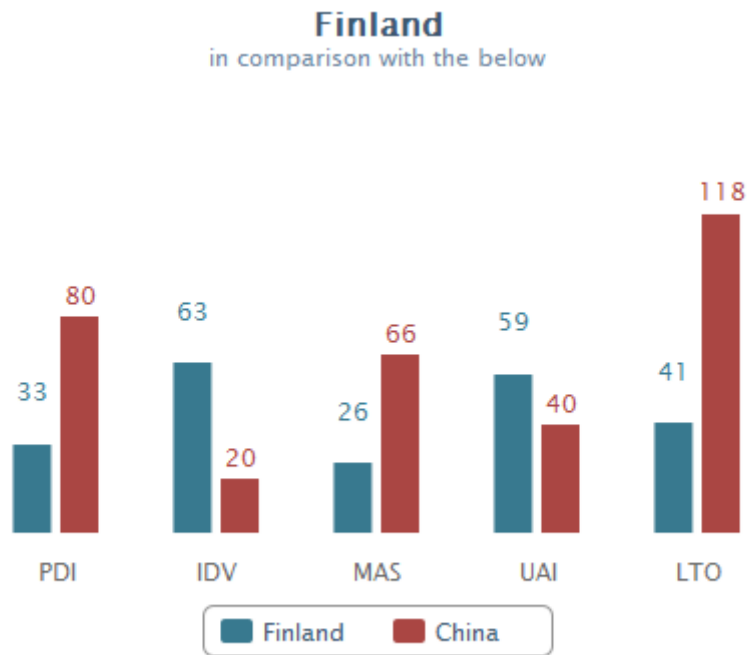


Figure 2. Cultural Dimensions, Finland versus China. (Geert Hofstede 2012)

The graph above indicates the results of Geert Hofstede's studies in cultural dimension, in Finland and in China as comparison. Power Distance Index in Finland is 33 as in China it is estimated as high as 80, Individualism in Finland is 63 as in China as low as 20, Masculinity in Finland 26 and in China 66, Uncertainty Avoidance Index in Finland is 59 as in China it is 40 and Long-Term Orientation in Finland is indicated 41 as in China as high as 118. Finland seems to be quite the opposite of China in cultural aspects. (Geert Hofstede 2012)

Comparing China to Finland, China has rather high power distance index and extremely high index in long-term orientation. The power distance in China mainly refers to the power and wealth. At a work place the inequality in power indicates the gap between person in higher position and person in lower position; such as boss and employees. As the index for Finland is 33, Finland has more equality than China and the power is more divided than centralized. (Geert Hofstede 2012) In China the boss has the biggest status in the company and others respect him/her the most. In official situations such as meeting, negotiations there will be no questioning who the boss is because he is the first to walk in a room, introducing him/her and the company and when seated, the host will sit on the left side to the boss. Foreigners should also fol-

low these rules in China while cooperating internationally. (Website of the eDiplomat 2011)

In introduction and greeting people, titles are quite important to Chinese and are always addressed for example Doctor Wang, where Doctor is clearly the title and Wang the last name. No one is “just an employee” or introduced with their first name. At the same time when introducing oneself, it is really important to give out one’s business card which has all the information in English and in Chinese. The card must be given and received with both hands and treated with respect and interest. (Li, Szerlip & Watson 2001, 44, 45, 65.)

Comparing China to Finland in the index of individualism, China has quite low rate with 20, when in Finland it is 63. The low rate regards to China being more collectivist country than individualist and Finland being more individualist. Chinese are quite family-centered people which might affect on this rate, because they are used to do things together instead of working alone. The communist rule in China also has its impact on being collective country. At work, collectivism might reflect as employees having hard time working alone in projects and tasks; they prefer the help and opinions from others. In comparison Finnish people are more independent and spontaneous at their tasks, but also able to work in groups. (Geert Hofstede 2011) Chinese people are aiming to belong to different groups to make them feel like they are not alone (Website of the eDiplomat 2011).

China is more masculine country than Finland as they have 40 points difference in their masculinity index. The index for Finland is 26 and it indicates Finland as feminine country. Finland is focusing more on the quality of life than just aiming to get a lot of money from work and Finnish people are also more caring, such as in a work place the manager treats employees with respect and care. In China as it is a masculine country, managers are more taking the work as work, and being not so sensitive. China has quite equal values within the two genders defined by Hofstede. Masculine countries usually have more confident, are success-driven and competitive people than in those countries with lower masculinity index. Even though values between genders are quite equal, Chinese companies have mainly male in high-positions when for example comparing to individualistic Finland where masculinity rate is ra-

ther low, key people can be also women such as is our current President. (Geert Hofstede 2011) In the past, women have not had this high position as they have now in China, they were considered as “the accessories of a man”. At the moment China has many women leaders in companies and factories, but is still in a battling with equality. (Li, Szerlip & Watson 2001, 39, 40.)

According to Hofstede’s studies, uncertainty avoidance index in China (40) is lower than in Finland (59) Comparing to Finland; China doesn’t try to prevent uncertain things in advance, instead facing the uncertain things and aim to solve them. Finland is making up rules and regulations to feel secure and the people are punctual, always in a hurry and precise to time. Overall in China the time is a wide concept for example “just in a minute” might mean 2 minutes or 15minutes or half an hour. Meetings are different though as there people are punctual and arriving on time. In China at work uncertainty avoidance might be influenced as tasks being unclear with having not enough needed information. It is common that uncertain things for Chinese are “maybe” and are left uncertain. (Geert Hofstede 2012)

Chinese are highly long-term orientated especially when comparing to Finland. The most important for Chinese is to achieve the given goal, for instance when student starts studies in university, he/she will do the best to study hard to achieve the goal which in this situation would be graduation and after that getting a proper job. Finnish people like to achieve things fast “to get them over with”. (Geert Hofstede 2011) "Chinese people are among the most hard-working people I have come across, they are very determined to succeed, absolutely committed to one's future". (Zuo 2009)

3.4 Finland in Shanghai

Most important representative of Finland in Shanghai is the Consulate General of Finland in Shanghai. The Finnish Embassy is located in the capital of China, Beijing and the two Consulate General of Finland representatives are located in Shanghai and Guangzhou. Finland has been represented in Shanghai already for 90 years, but since the end of 1995 the Consulate General got its current position. Since 1996 there have been four Finnish Consul Generals in Shanghai and the latest and current is Mr.

Matti Heimonen. In addition of being the face of Finland in Shanghai, the Consulate General helps locally operating Finnish companies, Finnish citizens and provides visa services for Chinese citizens travelling to Finland. (Website of the Ministry for Foreign Affairs of Finland, China 2011)

The Consulate General of Finland in Shanghai cooperates with many Finnish organizations such as FinChi, Finpro, FinNode and Finnish Business Council Shanghai (Website of the Ministry for Foreign Affairs of Finland, China 2011). FinChi is the Finland-China Innovation Center which helps Finnish companies entering Chinese markets by providing an office at FinChi premises and helping with necessities (Website of the FinChi 2011). In addition to FinChi, Finpro also aims to help Finnish companies abroad in internationalization (Website of the Finpro 2011). FinNode instead is operating in Shanghai to help Chinese companies in business with companies in Finland and acting as networking center of innovation organizations (Website of the FinNode 2011). According to my conversation with Mr. Helling in February 2011 during my internship at Finnish Business Council Shanghai organization, Finnish Business Council Shanghai operates basically as Finnish Chamber of Commerce by providing mainly to its members; both corporate and individual services such as business seminars, networking events, social events and trips. Finnish Business Council Shanghai also aims to give reliable help when needed. According to Finnish Business Council Shanghai, estimated 150-200 Finnish companies operate in the area of Yangtze River delta and most of them in Shanghai. (Helling, personal communication, 2.2.2011)

According to Consulate General of Finland in Shanghai, estimated 550-700 Finnish citizens live in the area of Yangtze River delta or nearby. The number changes constantly as people are moving in/out to China for work, study or travelling. (Website of the Ministry for Foreign Affairs of Finland, China 2011) Among Finnish citizens, operates an organization called Shanghaiin suomalaiset (Shanghai Finns 2011) which connects Finnish people living in Shanghai together. Shanghai Finns organization organizes events, services and trips for individuals and families for example golf, group activities for children and annual father's-day lunch (Website of the Shanghaiin suomalaiset 2011).

Finland is doing close cooperation with China, especially with Shanghai also in educational sector. Not only that Finland sends exchange students to China and vice versa, in Tongji University, Shanghai, Finnish Aalto University established together with Tongji University the Aalto-Tongji Design Factory (ATDF). It is located in the campus of Tongji University and operates as a platform for multicultural cooperation mainly by doing different kind of projects. (China attracts. 2010) The Design Factory is designed for all who are interested in working with different tasks in there, not only for Tongji University students. The Design Factory operates besides Shanghai in Aalto University in Finland and the both design factories are connected to each other by live online webcam. This ensures live video meetings between the two universities. (Website of the Aalto-yliopisto, Aalto-yliopiston varainhankinta 2011) Finnish Business Council Shanghai launched a youngish network called Finnish Young Professionals in the beginning of 2011. The network has done cooperation with Aalto-Tongji Design Factory by arranging events at the venue. (Website of the Finnish Business Council Shanghai 2011) Another international university in Shanghai is Fudan University, which is cooperating with Finland as well. The Nordic Centre in Fudan University was established in collaboration with Fudan University and selected universities in Nordic countries, in 1995 to ensure good connections between China and Nordic countries in educational sector. Mainly the centre is a platform for seminars, projects and other Chinese-Nordic activities. (Website of the Fudan University, Nordic Centre 2011)

China organized a four-month long World Expo 2010 in Shanghai, with the theme “Better City, Better Life”, where 246 countries were represented by their own pavilions. Finland was represented among the other countries with the pavilion of “Kirnu” (in English: Giant’s kettle). The main idea of the Expo was to present these countries and their cultures. During the four months, Shanghai World Expo 2010 exceeded the goal of aiming to have 70 million visitors with the total number of visitors, 73 million and became a great success. (Website of Expo 2010 Shanghai China 2011) Over 5, 3 million visitors visited Finland’s Kirnu pavilion. For Finland the Expo 2010 was one chance to improve its cooperation with China even more. The idea for Finland was to represent Finland as a country in a best possible way for example in the architecture of the Kirnu pavilion, which represents Finnish nature, innovative thinking, creativity and high technology. The pavilion included also a sauna and a souvenir

shop where Kirnu was selling Finnish design products, sweets and other Finnish products. (Website of the Finland at Expo 2010, 2011)

4 BUSINESS NETWORKING

4.1 Network

Network is a built group of people linked to each other directly or indirectly. Some may be linked to more people than others in the same specific network. (Gore 2007, 64) It is the place where people lean on to others, give their support, help and trust and share interests (Darling 2005, 15). Network often is not totally visible, as the network consists of many people who are linked to others, who are linked to others and there is no clear center point. In contrast to non-visible networks, there are now visible social networks for example Facebook, LinkedIn and InterNations in the Internet. Networks can be divided into specific groups such as business networks, social networks, national networks, international networks, cultural networks, intercultural networks et cetera. (Gore 2007, 64, 99.)

Four most used organizational communication networks are chain-, circle-, wheel- and all-channel network. Chain network refers to connecting with one person at a time that connects with the other et cetera. The information flows from the first person who holds the information, through others one by one to the last person. Chain network has the least interaction among the group members. Circle network refers to a network where people are linked to each other and the information flows in a circle, where always two people are connected directly to each other. A communication network where one person is the core and others linked only to the person in the middle is called a wheel network. All communication goes through the core person who really holds an important position. All-channel communication network is a network which is often connected to actual teams and where each one is connected to all directly the information is truly shared. (Sims 2002, 152.)

4.2 Definition of business networking

The core idea of business networking is to meet new business people that you will have mutually beneficial business relationship with such as; investors, partners, customers or other important parties concerning your business. Networking is connecting with people and to form a network in between. Building the network starts by successfully selling yourself to strangers by introducing, to attract them, make them interested in hearing more about you and to make them want to meet you again in business aspects. (Yeung 2009, 15-19.)

Networking does not always have to be direct; one may meet another who knows someone who could be potential networking partner. Often there are objectives before starting to network which is called strategic networking. The objectives are meant to fulfill though those should not be too strict because it may lead to a conclusion of people finding only what they are seeking, but not seeing other possible opportunities. Networking is a talent, which still anyone can achieve. No one is good at anything at the first try, but they will improve. (Yeung 2009, 15-19.)

Some people are “born extroverts” and some “born introverts” meaning that others are more social in social situations than others and are easily and happily speaking with others. In networking both types of people have their good effect and bad effect. Extroverts often talk a lot, not always about relevant topics so it might turn against them. In contrast by talking a lot they give out a vibe of a happy, easy to approach and social person. Introverts talk less, but more about relevant topics with knowledge. In contrast introverts are not always as easy to approach as extroverts and this type of people might give out a vibe of a quiet, shy and unprofessional person. (Yeung 2009, 15-19.)

Different networking situations need different kind of communication styles. It is usually depending on the person who the other is connecting with and the place. For example communicating with your friend’s friends is less informal than communicating in a conference with high-ranked people. Both the non-verbal communication and verbal-communication differ in these two situations. It is important to identify who is the person you are connecting with, trying to network before starting any

deeper conversation. Common concept in business networking is to create your own elevator speech; a short, effective and impressive speech about you which is delivered in a short time of period, such as in an elevator going from floor one to floor 20 with a person who could possibly help you in business wise. (Yeung 2009, 25-26.)

Gender, age, race, culture, appearance and other characteristics which might cause stereotypes have a huge impact on the networking process especially in countries where these characteristics have been defined precise; such as the way to act in business situations in China, where culture is strong in the background. Stereotypes often guides us even it should not, since stereotypes rarely are proved to be right. All of these characteristics have their own facts for example culture which makes sense and cannot be changed. Culture is one of the factors which have the biggest impact on networking. Business networkers have to be aware of some main culture characteristics of biggest cultures to ensure good and successful networking, without offending anyone's cultural background. (Darling 2003, 215-217.)

Networking is happening everywhere, not just in specialized networking events, seminars or conferences all though these are often the best places for business networking since everyone goes to these events with the same core idea; to find networking partners (Yeung 2009, 21). Airplanes and trains are good places for both; transportation and networking, since often people are sitting in planes and trains for hours. Many business people also use these along with other people, so why not finding business partners from there? If not finding business partners, it will be good for practicing communication skills. (Darling 2003, 113.) Networking can be successful just as long as you are connecting with people; not having to be even new connections as old ones might be helpful for you as well (Yeung 2009, 21).

The process is like a cycle where there is no end and people have to work for the cycle to be as successful and continuous as possible. As told earlier, first impression has a great impact to others on the first step of networking, but to continue the process, personal trustworthy and reputation are important to preserve. In every company they should decide who to send out to network in order to get to the goals; such as sending an office assistant for networking events to find a new supplier for the company might not be the best idea, instead sending someone with higher position and

the area knowhow will make better impact on others and the results. (Darling 2005, 13-14.)

4.3 Benefits

Networking is usually the first step before having further business relations with others, finding opportunities; before selling, buying products or services, getting suppliers, solutions et cetera. This position makes networking important as if it is successful business networking, there evidently will be further relations in business aspects, but in case the networking turns out to be non-successful, in most times you can forget further relations with them. In networking it is all about finding someone who can give to you what you want and need and as a good partner in the networking process, to give also the partner your help. This makes it two-way business relations and forms a network. (Darling 2005, 15.)

As written earlier some of the benefits of successful business networking are achieving trust, support and help from the other networkers as well as leaning on to them and sharing same interests. Proceeding with the previous factors, you possibly get a successful long-term business relationship with the partner which often is the goal. (Darling 2005, 15.) Networking is a long process and lasts for years, instead of lasting the moment when you are first connecting with someone, and it can benefit you at any point regardless the time (WetFeet 2003, 13, 16).

Often networking is also more effective way of job hunting than browsing job advertisement and applying to those. Networking is personal and can be face-to-face and if there are no current opportunities in the markets, there might be later and you might be contacted then, regarding to your successful networking. (WetFeet 2003, 13, 16.)

4.4 Successful business networking in China

Adapting to culture, also called an intercultural sensitivity can be referred to Chinese culture as well as other cultures in the world. When person moves to another country, the culture of their own follows, but the new culture will be most powerful as it is everywhere in the new country. A good way of settling down to the new country is to experience the culture deeply, not only sightseeing, but also adapting the way of thinking, manners and etiquettes. Some accepted and good behavior in your culture might be non-accepted and bad in the other culture. (Gore 2007, 149-150.)

Chinese business culture style can also be adapted to successful business networking style in China. For Chinese people, networking is a long process and according to Chinese, people need to develop and maintain their *guanxi* which is translated as relationships. (Li, Szerlip & Watson 2001, 42.) Successful business networking in networking events or other face-to-face situations starts with personal appearance as the rules in Chinese business culture recommends proper business attire for both genders. Proper business attire will attract the partners and it communicates professionalism and as well respect to Chinese culture. (Website of the eDiplomat 2011)

When being at a networking event, people start chattering with each other, the next step for successful business networking in China would be introducing them properly with exchanging business cards. The card should be anything but dull to capture the networking partner's attention and written in both languages: English, Chinese. As written earlier, in China business status is rather important and shared to others while introducing. After introductions starts the talking and it is the part where both sides have to be careful particularly then when the two people do not share the same nationality or culture. In addition to verbal communication, non-verbal communication is equally important. Chinese prefer less talk with specific topics than more talk and less relevant topics. They also assume that the counterparts have some knowledge of China, its culture and sometimes even the language and to act with respect since the networking takes place in China. (Li, Szerlip & Watson 2001, 44-45, 47, 65.)

While doing my internship in Shanghai, China I learned ways to network and how to improve my own networking in order to make it as successful as possible. When

starting a career in Shanghai, everyone should have proper business cards ready. I found it interesting as I ordered few hundred cards and those actually do not last for long because when always I met new people, even not in business wise I had to hand out my business card. You should carry your business cards everywhere with you, because as said earlier, networking can happen anywhere. Another one which should be ready before meeting any new people is to have your elevator speech ready. The concept of elevator speech was explained in 4.2 Definition of business networking.

I would suggest for first timers who start networking in Shanghai to start by joining in all existing and helpful networks. These networks are networks in the Internet for example LinkedIn and InterNations which are very much used among Chinese and other nationalities in Shanghai. Other networks are different Chambers of Commerce and even though there is only one Chamber of Commerce for your nationality, people can still join to others mailing lists and this way to get the information of upcoming events etc. The next step would be going to as many events as possible, being social and talking to many different people. During my internship in Shanghai I joined in many different networks and to others mailing lists. This way I always knew all the upcoming events which I could join.

In Shanghai, there is a networking event for each day of the week for you to participate so the problem is not the quantity. The difficulty is to decide which events to attend in order to get the best possible results. The last important thing to do for the successful networking in my opinion is when finding networking partners, to maintain the relationship for example once in a while meeting for a lunch, dinner, karaoke or in some other event or keeping contact for example in LinkedIn. If you are able to achieve good reputation for you and your company, the word-of-mouth goes fast forward and other people may contact you because of someone else recommends you.

4.5 Helpful organizations in Shanghai

Shanghai has many governmental organizations which give the support and help for their members and nations people in addition of arranging events. The organizations set up a platform for successful networking.

Finnish Business Council Shanghai

It acts as the “Chamber of Commerce” for Finland in Shanghai. Finnish Business Council Shanghai (FBCS) aims to gather all Finns together as a large network and to help them individually as needed. The organization is arranging seminars, networking events, conferences and other specialized social events mainly for its member companies and individual members in Shanghai-area. The core ideas are introducing people to each other and sharing current issues in the form of a seminar, for companies, such as changed visa regulations. In addition to arranging events, FBCS is cooperating with other Finnish and Nordic organizations in Shanghai and providing relevant information and help for its members and some information for the public also such as a list of all their member companies, which might come important when trying to search Finnish companies operating in Shanghai. (Website of the Finnish Business Council Shanghai 2011)

Members are mainly Finnish companies, companies with many Finnish employees or individual Finnish people and the membership lasts as long as membership fee is paid annually. Members will get information of all the upcoming events and important information via e-mail, which some are also shared in the website. Members of the FBCS get benefits such as private events and lower participation fees for public events than non-members. (Website of the Finnish Business Council Shanghai 2011)

FBCS has also recently established a network for young people in Shanghai, the Finnish Young Professionals which is focusing on arranging events and seminars for younger population with topics related to their life and possible becoming career. (Website of the Finnish Business Council Shanghai 2011)

Behind the organization, stands Finnish Business Council Shanghai's 12-member Board of Directors who runs the organization with the help of interns and other voluntary workers. (Website of the Finnish Business Council Shanghai 2011)

Other Chambers of Commerce

These are in addition to FBCS great sources for networking. Even though people have their own nationality and many of these Chamber of Commerce's work with the principal of having members of their own nationality or having people as members as they are working for a company of the specific nationality, still many of these Chambers can add people to their mailing list and this way anyone voluntarily can get information of networking events and seminars. European Union Chamber of Commerce in China was established to help and support EU countries in China. EUCCC operates in few cities in China, including in Shanghai. Many of the Chambers cooperate together to arrange events and seminars such as Nordic Chambers often co-organize networking events to introduce people from the Chambers to each other. (Website of the European Union Chamber of Commerce in China 2011)

Embassies and Consulates

Embassies and Consulates act more as a help in the political sector for companies and people living in China. Countries have Embassies basically in Beijing as it is the capital, but Consulates can be sometimes found in Shanghai and in Guangzhou, such as Finland has. People have to sign up to the Embassy or the Consulate and that way get e-mail of the concerning issues. The Consulate General of Finland in Shanghai arranges mainly events for Finnish companies and Finns in Shanghai and the events are often seminars concerning political issues which affect on the life in Shanghai. Still these are good situations to meet interesting people and to network. (Website of the Ministry for Foreign Affairs of Finland, China 2011)

4.6 Networking events in Shanghai

Organizations and social networks are mainly organizing networking events in Shanghai. The events are informed in their websites or/and via e-mail or newsletter and often are open only for the members of the organization/network. Networking events do not have any other meaning than just networking, so arranging these events is not rocket science. With few steps, there is a ready event ready for people to join. First step is to decide where to hold the event, when and with whom. Then should be decided if there will be served any food or drinks, the participation fee for the event and last to make an invitation with RSVP and send it out. (Helling, personal communication, 2.2.2011)

Depending on the size of the networking event, the place for the event is chosen. Often these events are held in a hotel which has rooms for seminars and bigger banquet halls for parties and events, but sometimes also at a bar or a restaurant. Most known hotels for holding networking events in Shanghai are in the Puxi side of the city for example, The Peace Hotel, Radisson Blu, Longemont, The Westin, Sofitel Hotel and Le Royal Meridien. Twice a year, all the Chambers of Commerce who are willing to participate are organizing together a networking event; usually it is called Inter-Chamber Mixer. As this is a huge event, the venue also has to be big to fill in all the participants. Inter-Chamber Mixer is usually held in The Peace Hotel, since the hotel has good banquet hall with a roof terrace to the Bund. Spring 2011 held Inter-Chamber Spring Mixer gathered up estimated 300 people from all of the participating Chamber of Commerce's. Smaller networking events, such as only for the members in Finnish Business Council Shanghai can be held in smaller venues, such as in Sofitel Hotel. As the venue is smaller, so is the total price. In Shanghai, it is common to compare few hotels, ask for offer and then decide the venue for the event. The hotels are very competitive so often Chamber of Commerce's can make a good deal with them which satisfy both. (Helling, personal communication, 2.2.2011)

The events in Shanghai are often held during the work week and in the evening to last for few hours; this ensures more people to attend as they might be away for the weekends. The events are planned and organized estimated one month in advance and the invitation sent few weeks ahead with a reminder of week ahead. Often the

invitation has a RSVP to ensure the number of participants for the hotel in case of extra arrangements such as food, drinks or any performance. (Helling, personal communication, 2.2.2011)

In networking events in Shanghai, is usually served canapés and few drinks per participants. Depending on the participation fee is how varied food and how many drinks will be served. Normally networking events in Shanghai cost from 100CNY to 300CNY which is estimated 10 to 30 Euros. If the organization is paying for the venue, only the food will be charged and in this case the fee is usually less than 200CNY. As the events are rather formal, the idea is not to get drunk, so often there are only few drinks to be served. The hotel/bar arranges the food and drinks to the venue so the organization only has to discuss what kind of food and drinks they would like to have served. (Helling, personal communication, 2.2.2011)

At the event people are dressed rather formally as these are also business situations as are other seminars and conferences in China. People have goals for their networking which should be fulfilled if possible so at the event all people are chattering with each other and making connections at the same time when enjoying the canapés, drinks and perhaps music or other performance. Commonly during the networking in China, when people are meeting new people, they give out business cards to remember them by in the future. It is more effective to remember a person as you are talking with them face to face and in addition getting a visual remembering in a form of a business card with all the necessary personal information. (Helling, personal communication, 2.2.2011)

4.7 Networking sites

In this chapter I am presenting the four most known networking sites in the Internet; LinkedIn, Ryze, InterNations and Facebook. All the four sites are relevant for personal networking and business networking as people can create a page of their own and provide information and pictures of themselves, connect with people and network. Especially in China LinkedIn and InterNations are used in regular basis as Facebook and Ryze are more for internationalized people and are not so much used and

one reason for Facebook's lower support is because China has blocked it. Only thing to pass the block is to install virtual private network (VPN) and all the blocked websites will be free. Networking does not happen only in networking mixers, seminars and conferences but also in the Internet.

LinkedIn

LinkedIn is a large international free-of-charge network for business professionals in the Internet where people create their own page and provide information of themselves as they personally like within the possibilities; picture, personal information, occupation, CV, interests in the fields of business and in personal life, work experience, education, ask for recommendations from your previous employers or others who have worked with you and people can also join for groups and associations such as "Networking in Shanghai" where people can share information of networking events et cetera. (Website of the LinkedIn 2011)

In LinkedIn you can add people to your network who are then able to see your page and vice versa and be connected with you by sending personal messages or writing in group sites. In addition people can post job opportunities in LinkedIn for all over the world in case someone is seeking for a new position and post advertisements. (Website of the LinkedIn 2011)

Ryze

This is another international and virtual business network for business professionals in the Internet which has the same goal of getting new business connections, forming a network or joining to already existing network and to make new friends and contacts. People can join to Ryze by creating their own page, which enables members to connect with other members and join networking groups. Ryze is mainly free-of-charge, but some applications such as advanced search is a paid service, all though costing only few dollars a month. (Website of the Ryze 2011)

InterNations

InterNations is more of an international network for expatriates abroad, in the Internet and it works in the same basis as the previous two networks; people providing information of themselves for their created page. Members can contact each other, create events, chat in forums and join in to groups. In InterNations people set up their location in addition to other information and the location gives them opportunities in networking and other events in the current location. InterNations provide a huge amount of information from different locations to make expatriates life easier where ever they are living at the moment. Members can also give recommendations and advice to others. (Website of the InterNations 2011)

The only difference is that, only a member can invite people to join the network instead of signing in by their own. This ensures the network of being more specific with only the people who really want to be there. (Website of the InterNations 2011)

Facebook

This is also a place to network, but more personally than in business aspects. Facebook also has the principle of creating your own page/profile and add relevant information and pictures of you. There you can add people as your friends and be connected with each other and also in Facebook people can join into groups and pages they are interested in such as “Finnish Young Professionals-network” which was established by Finnish Business Council Shanghai-organization. Many companies add pages of their own to Facebook, for example the Consulate General of Finland in Shanghai has established a page where they share all the same information for group members as they share via e-mail or website-announcements. (Website of the Facebook 2011)

5 GUANXI

5.1 Definition

The Chinese concept of “Guanxi” can be translated as long-term relationships/connections/networks and it has a great impact on business-making in China by acting as one of the key factors to successful business-making (Yadong 2007, 2). It does not only have an impact on business, but also for everyday-life such as social connections and politics (Gold, Guthrie & Wank 2002, 3). Guan can be translated as a “door” or “to close up” and xi is referring to maintain. Chinese think metaphorically that the closing up means getting inside and closing the door as a “closed circle”. (Yadong 2007, 2.) Guanxi is defined and translated in many different ways as it is not easy to describe a connection between people by words. Chinese feel like it cannot be defined by one or two word since the actual concept is special, unique and still complicated. The principle of guanxi is the relationship in between people who share mutual interests and benefits, maintaining those relationships and doing favors for them as well as helping them as needed. In other words, sharing guanxi with another is to have one kind of guarantee of cooperation in both ways. (So & Walker 2006, 1-4.)

Guanxi in China is said to be more reliable than the Government justice system as in the people you have guanxi with you can trust and rely on, as the justice system might not be powerful and something to trust completely, because the communist party is adjusting the rules and regulations. Chinese believe that bad guanxi will drive people into troubles, especially in business and if the competitors have better guanxi than your business, they will be a huge threat for your success because they are valued more. In other words, bad guanxi can also cause operating loss for the company in China. In addition to maintaining guanxi between business partners, maintaining guanxi with the China officials is also really important, because those are the people who can do legal decisions for the future of the company. (Kervinen 2007)

Asian people are generally rather relationship-centered and have bigger value on relationships than comparing for example to Finnish culture. Chinese use guanxi anywhere, not just in business relations, in contrast for Western people who have different culture in business and in personal relationships. Especially Chinese people like to belong to groups and networks since they have belonged to them since they were born; family, school, ethnicity, friends et cetera form own networks. (So & Walker 2006, 1-4.)

5.2 Guanxi and business

Guanxi is what matters the most in business world in China as it determines each company's status. When doing business with Chinese, they prefer basically doing business with the person they have guanxi with and not directly with the company and it is normally referred as personal ties. This is also a reason why Chinese think networking and networking events are quite important, because those are the situations for forming guanxi with others. Sometimes guanxi is being established even before two people share mutual interests in the field of business because they may share already the same ethnicity, born in the same city, sharing the same family name et cetera. As the mutual interests in the field of business are found, the guanxi can be developed. (So & Walker 2006, 5, 9.)

In business guanxi can be established by intermediaries or directly to the other party and as well as in western concept of networking, guanxi needs to be taken care of and maintained during the process. Good guanxi is seen as trust, warmth and respect to the other (Gold, Guthrie & Wank 2002, 6, 8.) and the Chinese term "gangqing" indicates the closeness and confidence of guanxi. With guanxi companies will have trustworthy relationship with the other company; negotiations will be more sensitive and achieving goals easier than without guanxi. At the same time guanxi should be affective but emotional which demands a lot from the both parties. For example when negotiating, the people who share guanxi are aiming for their goals affectively, but having to be sensitive because of their guanxi, as affective decisions may not be made as if the parties would not know each other before and would be more formal. (So & Walker 2006, 6.)

For developing the *guanxi*, *gangqing* is as important as the Chinese term “*renqing*” which is translated as the obligations to the other one or behaviour, such as acts and expressions people do for example giving gifts and compliments. These obligations are not just good manners, but Chinese truly respect those and make sure that what they suggest or promise will be kept. For instance if Chinese says after lunch, “let’s do this again” they really mean it and will decide the date for the lunch but Western person might be just polite and may not meet the person for lunch anymore. In other words, Western person in China has to be careful with words what to suggest and promise to avoid any loss in *guanxi*. (So & Walker 2006, 11, 12.) Especially foreign companies need competitive advantage in Chinese markets, so establishing *guanxi* with others can be one of the competitive advantages which put them in lead and differentiate them from others (Yadong 2007, 136).

6 IMPLEMENTATION OF THE RESEARCH

6.1 Research approach and methods

Qualitative research method refers to a research approach based on quality and meaning where the quantity is not relevant. By doing qualitative research, the researcher aims to present the research question or problem clearly, understand it, define it, study it and finally solve it by giving proper explanations and descriptions. The research question or problem can though change during the qualitative research. (Hirsjärvi, Remes & Sajavaara 2007, 122, 134, 157.)

Case study can be applied to qualitative research as in qualitative research each case is studied more deeply and in detail based on the interviewees’ experiences and the answers in qualitative research cannot be outlined since the research method aims to gain as truthful and open answers as possible. Each case is unique and the importances of the answers are based on interviewee’s own opinions and interviewer’s job is to interpret. Often in case study, the research results are gain by doing observation or interview. The research subject determines the number of interviewees

and in some cases there might be only one person to be interviewed as only the quality matters. (Hirsjärvi, Remes & Sajavaara 2007, 130-131, 157, 160, 176.)

If interview is used as the method to collect data in qualitative research, it is important to interview all the relevant people concerning the research question in order to get the big picture. As said earlier, interviews might be consisted only few interviewees, but also whole groups. One of the main interview methods for qualitative research is theme interview as in qualitative research it is important to be in a natural interview setting and to see and hear the interviewee. Because of the mutability in qualitative research, the interview process can also change during and the interviewer might get some new perspectives which to follow. In other words, one of the best possible interview methods for doing qualitative research is theme interview as the questions will be more guiding than restricted. (Hirsjärvi, Remes & Sajavaara 2007, 160, 176-177.)

Theme interview also known as half structured interview has theme questions, but there are no pat answers because the interviewee can answer as he/she prefers. The interviewee in of way leads the conversation and as written earlier, the questions can change during the interview and there can appear more questions. Theme interview method can be applied to both qualitative research and quantitative research. The characteristics of this interview method require natural interview settings, such as face to face interview. (Hirsjärvi & Hurme 2001, 47-48.)

In this research I will use qualitative research method for two reasons, first of all for this research it is relevant to focus on the quality, not the quantity and second of all I want to gain as truthful information as possible from the real life experiences without outlining any answer, but to get concrete and open answers from the interviewees.

This research will be also case study as I will study two different and unique cases by interviewing representatives from both of the companies. The type of interview in this research will be theme interview as it will be more like a guideline and the interviewees can openly tell experiences and thoughts about the asked question. There might appear more questions during the process and for me as the interviewer, it is important to interpret and focus. Important parts for the theory are the interviews, as

if some of the results are similar, the interviews can support the theory and also because theory cannot tell how each of the two companies are networking in Shanghai, as the information is based on experiences, interviews are relevant. At the moment there are two Finnish logistics companies operating in Shanghai and I will interview representatives from both of them in order to outline the logistics companies for now.

6.2 Validity and reliability

It is important to focus on the quality when using an interview as the method for data collection. In order to achieve good quality, all the equipment used in the interview should be checked in beforehand such as recorder, Internet connection, microphone etc. Best possible situation for interview happens in a situation where only the interviewer and interviewee are present, for example in a closed room or other space without any other people present. Nothing should interrupt the interview situation. After the interview is done, the interview should be transcribed as soon as possible when the interview is still fresh. (Hirsjärvi & Hurme 2001, 184-185.)

The research will be successful if it is reliable as possible and for example if the interviews would be done twice with the same questions, the answers would be still the same even if the interviewer or the interview situation would be different the research will be reliable. Validity in other hand is referring to if the research is valid or not, if it is persuasive and also if the research results can be generalized. (Hirsjärvi & Hurme 2001, 186-188.)

The theory part of this research is based on books, online books, other sources in the Internet and personal communication. The books and Internet sources mainly have authors and if not, these reliable sources will have references of whose text/information/research/theory is the text referring to. In addition to books I have used many Internet sources, but tried to choose only the reliable ones in order to get as truthful information as possible. The interviews will be done as identical with same questions and in the same situation which is interview. This way the reliability can be proved because there will be not any differences in the methods used in the interview. Only differences are going to be interviewees' answers. It will be up to the

interviewees how specific answers they will give. Answers cannot be generalized to logistics industry or other factors such as nationality even though the two Finnish logistics companies which I will interview are currently the only Finnish logistics companies operating in Shanghai, China. Each company eventually is different in ways regardless to the industry.

6.3 Collecting data and analyzing

The data collection for this research will be done by using already existing literature, my personal experiences gotten during my internship in Finnish Business Council Shanghai organization, in Shanghai China February 2011 to July 2011, and two interviews for representatives of case companies.

Interview is a situation which is direct and the answers are gain immediately in the situation and it helps the interviewer to get deeper information of the topic. In interview the interviewee can tell about own experiences which has a positive side effect as well as negative; experiences are good to hear out, but experiences do not rely on any theory and answers may not be as reliable as hoped. There are many pros and cons when doing an interview and if interview is done, the researcher should know the facts and decide which interview method will be the best in order to get most reliable information. (Hirsjärvi & Hurme 2001, 34-35.)

The companies and interviewees are already familiar to the interviewer; I got to know the interviewees in Shanghai spring 2011 when doing my five month internship in Finnish Business Council Shanghai. Since at the moment there are only these two logistics companies, I wanted to get them both under my research in order to get both companies experiences. I will do the interviews anonymously because the company names are not relevant for this research, only the experiences matter.

I asked both of the interviewees in June 2011 to participate into my research by giving interviews and both agreed. The interviews will be done during February 2012 via Skype because both of the interviewees live in Shanghai and are not going to visit Finland during February 2012. Skype will give the best interview setting which is

possible at the moment; the interviewer and interviewee can see each other at the same time when having conversation. There are though some difficulties using Skype, since it is connected to the Internet and the connection can shut down at any point and the connection in Skype may not always be good and there can be problems of hearing the other, but if the connection is good, it enables a good natural interview setting as possible. The interview questions are chosen according to the main research question: How Finnish logistics companies are networking in Shanghai, what the results are? The whole interview will be recorded and then transcribed.

The literature data I started collecting in September 2011 and continued until the second seminar was held in February 2012. Books were mainly online books from Ebrary which is one of the online libraries Satakunta University of Applied Sciences has to offer, but I was able to find also good books from libraries. Internet web pages and articles I mainly collected during the writing process. The one personal communication I have used in this research was gotten during my internship in Finnish Business Council Shanghai.

The analyzing part of the interviews starts after the interviews are done, recorded and transcribed, but some kind of analyzing starts already during the interview situation as the interviewer is doing observations. It is important to analyze the gotten information critically and with different aspects. Often it would be good to start analyzing the information as soon as possible as it is still fresh. (Hirsjärvi & Hurme 2001, 135-136.) I will analyze the interview results after the interviews, by first transcribing those from the recording machine to the computer and after writing the answers to this research and analyzing them. My aim is to analyze the answers critically and then form conclusions.

7 RESULTS OF THE RESEARCH

In this paragraph the results of the interviews done with the representatives of two Finnish logistics companies operating in Shanghai, China are presented. The interviews were done anonymously so the two companies are presented as Case Company

A and Case Company B. The interviews were done via Skype on 13 February 2012, since both of the representatives live in Shanghai, China at the moment.

7.1 Company descriptions

As the interviews were done anonymously, the company descriptions will include only general information of the companies, without any identification factors of the companies or the representatives. The information for company descriptions are gotten from the first interview questions:

1. When was your company established and how long has it been in China? How long have you been working for the company? What size of company your company is?

Case Company A company description

The company was established in China 2007 and back then the company had only one person working for the whole region of China. Since then the company has expanded and at the moment there are seven people working for the company in China, including Chinese and Finnish nationals. The whole company consists of around 50 employees worldwide. The company is small-sized company. The representative person, who gave the interview, has been working for the company for one and a half years.

Case Company B company description

The company was established in Finland 2004 by three men and since then it has grown and at the moment the company employs around 20 people worldwide. In China, the company has been for one year, but before that the company was already represented in China by a local agent. The representative person of the company whom I interviewed has been working for the company for one and a half year, half a year in Finland and one year in China.

7.2 Research findings

The main results for the research question start from the interview question number two. The question six changed a bit during the process from “What difficulties have you faced with the networking process?” into “What difficulties have you faced with the networking process and how to make the process easier?”

2. Why networking is important for your business/industry in China?

Case Company A: “Networking in China is essential since the local Asian culture requires partners to be known personally. If you have not met with a person before or do not know this person on a personal level it is almost impossible to establish business. Relationships are very important in here. Another reason to network here is the fierce competition. There are a lot of companies in China that want their so called “share of the cake”. By networking you can develop better business relationships. Local competitors usually offer prices with very low margins but personal relationships acquired from networking can still give you more chance to get business.”

Case Company B: “Everywhere in every way networking is really important, because for example that’s a very good way to get to know new people, get new potential business partners, get more sale. Especially in the beginning it is very important, that’s how you get your name known and people start to recognize your company. It depends, what you search for, because these events have many different kind of representatives such as people from manufacturing, marketing, logistics and legal counseling. Especially in the beginning for the company it is very important, because you need all these different operations to run your business. For the industry it is also important because this industry is more or less that kind of that we need to do the approaching to customers, not other way around, even though every industry needs logistics, but like I said, we are the ones who will approach customers as if we can provide some services for them.”

The results of the interviews show that both of the representatives of the case companies think that networking is essential for successful business in China. Both of them also emphasize on the importance of networking in the beginning when the company or office is being established in Shanghai, since the competition is fierce and successful networking can be the way to differentiate the company from others and put the company in lead. In addition to these previous factors, meeting new potential customers or business partners is also regarded as one factor why networking is important for both of the interviewees. The representative from Case Company A also emphasized on the importance of relationships which are also linked to successful business in China. In the opinion of the representative from Case Company B, networking is important for the industry because often the representatives of these logistics companies approach possible customers, not other way around.

3. What channels does your company use for networking?

Case Company A: “We have tried many channels from emailing, social networking, social network sites in the Internet etc, but I have found out that personal interactions are the best. You need to be out there and show a face. One good way to network are events hosted by different chambers such as Finnish Chamber of Commerce or Swedish Chamber of Commerce. In these events there are usually guest speakers about issues that concern whole industries. It is a very good chance to get to know people from a certain industry if there is someone speaking about them and to find many useful people. Company leaders often come to listen to them and they are often able to make decisions.”

Case Company B: “Well it started in the beginning with the Finnish Business Council Shanghai, since they have many different kinds of networking events. Mostly joining in some seminars which had very important information about Chinese markets, how to deal with Chinese people or other relevant issues. So I would say, Finnish Business Council is one, then there are Shanghai Finns and other organizations, but mainly the channels I use would be through e-mails where I get the information of some networking events and where those are taking place at. Of course also if

someone says or recommends some events for networking, so word of mouth. In addition to these I use LinkedIn a lot for networking, if I have certain company in my mind that I would like to approach, I just type the company name there and then I find people in certain positions and it helps me to contact them. I wouldn't say Facebook is bad because it can also be helpful and I have used that also a little bit."

Personal interactions stand out in both of the interviewee's answers and the most efficient channel for achieving the best possible personal interaction would be joining to networking events and seminars, organized by Finnish Business Council Shanghai, other Chambers of Commerce and organizations. According to the representative of Case Company A, these events hosted by Chambers of Commerce are rather professional where guest speakers are talking about relevant issues in China. Many company representatives join these kinds of events so according to the representative of Case Company A, it is a good place to meet important and useful people for business. Social networks in the Internet and e-mail are also important channels especially according to the representative of Case Company B. The representative uses at least LinkedIn and Facebook for networking and said LinkedIn of being a good way to get information of companies and company representatives. E-mail instead is used as the channel to get information of the networking events and seminars.

4. What kind of networking events you join?

Case Company A: "I have joined pretty much every kind of event Shanghai has to offer. Chamber events, local networking events, drinking events, weekend brunches, trade fairs all over China and expos. These events are provided by different kind of companies and also the Chambers of Commerce and also some companies that only work as networking event providers, for example SBR networking is just a place where you go and pay around 200 RMB in and there is around 100 people and you can go and talk to them on behalf of your business or just for fun making friends. I don't join these networking events often, but before I used to join around once a week. Usually these events are held in 5-star-hotels around Shanghai and costs usually between 100-400 RMB. Some events have free flow of alcohol, some have one

drink, some have food, some have breakfast, and some have lunch, depending on the event. Sometimes these are organized for specific people like people in logistics or banking or sometimes for fashion etc. It depends, there are all kind of different ones. Then it is easy from those to choose which one you want to go to.”

Case Company B: “All kinds of. In the beginning I was doing them maybe once a week, because that’s the important stage of starting an office in here. The providers of these networking events, I would say usually are Finnish Business Council Shanghai and other Chambers of Commerce. They create events with different chambers and about 30-100 people are invited or even more. The fees for the events depends on if you are a member, then it is about 300 RMB, if not then it’s a bit more and usually it includes some small snacks and maybe few drinks. The events are held in hotels, they have these big halls and places where it’s meant to have networking events, big spaces, and lot of tables for standing. People hang around there, move around and hand their business cards to people while telling something about the industry they work for. If it’s interesting industry, you talk a little bit more; if not then you can move on to the next person to introduce yourself and your company.”

Both of the interviewees have joined to all kinds of networking events such as local networking events, Chamber events, trade fairs and seminars. Both of them also said how important it was especially in the beginning of their career in their current companies to go to these events and they both joined to these events at least once a week. At the moment they are only joining occasionally. According to the interviewees networking events in Shanghai are mainly held in hotels where they have big halls especially made for holding rather big events. It depends on the type of event also the number of invited people and according to the representative of Case Company B, usually 30-100 people are invited, or even more. The representative of Case Company A described how some events are only for specific group of people, such as for logistics companies, banking representatives or people working in fashion. Often the events have participation fee, around 100-400 RMB according to the representative of Case Company A, but it usually also includes drinks and canapés or lunch. The representative of Case Company B emphasizes on the fact that the fee is lower for members, such as members of Finnish Business Council Shanghai or other organizations than for non-members.

5. What advantages/disadvantages networking has given to your company?

Case Company A: “I have not really had any disadvantages except for the waste of time when you do not meet the right people. Sometimes you randomly meet the right people and in the beginning when you come to the new city you get to know new people and find contacts. One time I met a person in a restaurant and shortly after that we established business together. Advantages with the Chamber events are that you meet people from your own country that you can relate with easier and therefore have an advantage.”

Case Company B: “The advantages from networking for our company are knowledge about our company, new customers and business partners for example suppliers, legal counseling, marketing services etc and disadvantages would be that it is quite energy consuming, hard work and sometimes it is difficult to find the right person that you are looking for.”

Both of the representatives said that one advantage of networking is meeting new people who could then become their new business partners or customers in the future. The representative of Case Company B also told how the networking has helped their company in a way that people are now more familiar what this company generally is. Both of them emphasized how networking is also sometimes waste of time when meeting wrong people who cannot benefit you or your business. The representative of Case Company B described also that the disadvantages of networking process are that it is rather hard work and thereby energy consuming.

6. What difficulties have you faced with the networking process and how to make the process easier?

Case Company A: “Meeting people that business wise are of no interest at all, it’s time consuming. Often there are a lot of people from investment companies that keep contacting me for longer period of times after handing them your business card. After networking I also get a lot of spam email or other offers that are of no interest to

me. To make the process easier it is good that you can choose the networking events you go to, check the program, check the speaker, and check the agenda. By checking these in beforehand might be better for you. But of course, sometimes it might be totally random; you never know who you are going to meet. Can be good but also be bad.”

Case Company B: “Well, I think the approaching system is number one issue, how to approach people and who. This was the first difficulty to me, because I didn’t know how to find the right person, so I just went from people to people, because I didn’t know what they do and if there is any interest for us to do business together. Other difficulty would be the huge amount of networking events, it is very tiring. And I think when many people have joined many different networking events, it becomes a routine. Especially Chinese, they just go people to people and give their business card and then move on to the next one. I wouldn’t say that this way is very efficient way to do networking. It takes a little while, until you start getting the big picture in your head of efficient networking, who would be good to talk to and so on. It always depends what you are looking for. For me, I was looking for new customers mainly on manufacturing, so I needed to find the person who is in charge of logistics and if not logistics, it should be some higher manager who I could contact. For first timers, going to networking events, they should just talk as much as they can, even though the person would be interesting, but the field where he or she works for would not be, rude to say, but not to waste time, they should just move on to the next one. Anyway they go there to find some new customers or potential business partners. I think I should be more patient in the networking process and try to create my own way of approaching people and evaluate the business potentiality.”

Both of the interviewees mentioned how meeting the wrong people during the networking process is basically waste of time and time consuming. This was one of the difficulties they have faced in Shanghai. The representative of Case Company B has faced difficulties on the approaching system for example who to approach and how and also said this would be something what people generally can improve and learn. In the opinion of representative of Case Company B there are lot of networking events and it becomes too routine in a negative way, but the representative of Case

Company A emphasized on how people should choose more carefully which events to join and which to skip in order to make the networking process easier.

7. What concrete results networking has brought to your company?

Case Company A: “In some cases I have got good results and future co-operation from networking. I have found few direct customers by going to networking events. Sometimes it’s not “direct” from networking but a friend of a friend who introduces me. Many of the deals I found here have also come by share randomness like meeting a person in an elevator. So it’s not always networking events that bring results, can be totally random. Mostly the Chamber events have also brought me some good contacts for business.”

Case Company B: “I think the biggest, concrete results would be the knowledge of our company; people really know what our company is, what we do and who is in charge of the company in China. Networking has made our company more familiar to the bigger markets. The other one would be how many customers we have gotten through networking. We have gotten about 10 new customers directly from networking events.”

The main concrete result both of the case companies have gained from networking would be the number of customers they have made especially through networking events. As the representative of the Case Company B, another concrete result is the knowledge people have about their company. These are one of the most important factors for different companies to consider how important networking can be for the company especially in China and whether to start networking or not. Eventually there is no harm in networking; instead it can give the company a lot especially in the beginning. Networking really is one of the key factors for successful business in China.

8 CONCLUSIONS AND RECOMMENDATIONS

The theoretical part in this research consists of three main parts, the knowledge of China, business networking and guanxi. These three parts have relevant information for the topic of this thesis: Finnish companies networking in Shanghai, China. When networking in Shanghai, China it is important for new upcoming companies to know some facts about China, especially Shanghai because after all that is the place where the networking process in this research is happening in.

I have also listed the main characteristics of Chinese business culture for example different gestures, what to wear for work and how relationships are important in China. The difference in culture between Finland and China I studied with Geert Hofstede's cultural dimensions analysis and the results of the cultural dimensions analysis show how in many ways Finland is the opposite of China. The last part of the chapter China is about how Finland is seen in Shanghai for example the most important organizations which help Finnish companies and citizens in Shanghai, such as Finnish Business Council Shanghai-organization, Consulate General of Finland in Shanghai and FinChi. There are around 150-200 Finnish companies and estimated 550-700 Finnish citizens in Shanghai at the moment. The number of Finnish citizens changes rapidly as some of them are only part-time for example doing an internship or study exchange period in Shanghai and then leaving elsewhere.

Business networking is connecting to people who you have mutual interests in business wise, to form business networks and to find new opportunities. Network also known as guanxi in China is a specific group of people who share interests for example people who do business together, people who are connected to each other by nationality or people who are connected to each other by blood. These all are networks and networks need to be maintained in order to get successful networking, because eventually networking is a cycle which just goes on. Chinese prefer relationships over business which means that without guanxi you cannot have successful business in China. Networking can be either direct or non-direct and it can benefit you at any point regardless the time and networking does not only happen in networking events, but also in random situations such as while sitting in an airplane, and via the networking sites in the Internet for example LinkedIn, InterNations and Ryze.

The most successful business networking obviously is the kind of networking where people get concrete results such as new business relations. It is depending on the situation which channel to use for networking, what becomes successful business networking, but for example in networking events I have listed few factors in my theoretical part of thesis how to make networking more successful. People mainly should be positive, talk to as many people as possible within the given time, try to be professional with a proper business attire and verbal/non-verbal communication by remembering how to act in China regarding to Chinese business culture. Still one of the most important factors how to make people remember you, giving out a proper business card while introducing. Networking events in Shanghai are usually held in hotels and cost approximately 100-400RMB (estimated 10-40 EUR) to get in which is often also including some drinks and canapés. Shanghai has many different networking events to offer and it is up to people which one to join to get those objectives fulfilled.

The interview results support the theory of the importance of networking and guanxi especially in China and networking is essential for the success in business. Knowing people personally and establishing networks are the key factors for successful business making in China, especially for foreign companies, since they might not yet have any other factors how to stand out, when the companies are rather new in the Chinese markets. In my personal opinion and experience in Shanghai, networking really is essential and for new companies that establish an office in Shanghai they should really focus on doing successful business networking in order to get the company in lead among others. I also noticed the same in Shanghai than these representatives: relationships are number one issue in Shanghai and especially Chinese people invest in relationships.

Regarding to the interview answers and the theoretical aspects, personal interaction is important for successful networking and one of the most effective networking channels are organized professional events and seminars where people meet other professionals who possibly can start cooperation together. The organizations that are mentioned in the theory part are also important in the interviewees' point of view. As I was doing my internship for Finnish Business Council Shanghai organization, I realized how many people rely on organized networking events. In addition to net-

working events, other channels are also important, maybe not as important as personal interaction by face-to-face, but still something people should consider of doing.

The interview answers for the question what kind of events do the interviewees join, supports the theory of what kind of events Shanghai has to offer. Of course there are different factors in different events, but as generalized these kinds of events according to the interviewees and the theory are offered to public. While working for Finnish Business Council Shanghai organization in Shanghai, I was also organizing networking events and seminars and realized also the fact how many people join these events in order to find new possible business partners. In my personal opinion joining networking events once a week is impressive, but I think still the quality matters more for example what kind of events you join, if those are relevant for your business or not. Also it depends on the need of new customers or business partners, how often is good to go. As the interviewees said, they only join networking events occasionally, I can think of the reason why, because their businesses have been in China already for at least a year, so joining networking events often might not be necessary anymore. This is because they have already achieved some kind of status among other companies and gain some customers. Still networking is a lifetime process which should be continuous and taken care of.

I have mainly explained the theoretical aspects of the benefits of networking and did not focus on the disadvantages, because I wanted to find it out from the interviews which are based on personal experiences. One of the benefits described theoretically was the possibility of meeting new people who can benefit you and your business. This way the interviewees' answers support the theory. Analyzing the interviewees' answers, comparing those to the theory and my personal experiences, in the networking process, there seems to be more advantages than disadvantages and the disadvantages seem not too insurmountable so that companies should choose not to network.

All new processes have two sides, the easiness and difficulties and by facing difficulties people can improve because eventually difficulties are not obstacles which cannot be surpassed. Networking is a process which has to be learned by doing and no one is good at anything in the beginning. Of course some people might be introverts

and some extroverts meaning that some are more social than others by personality which can be either positive or negative factor. Often still more social people are more comfortable in approaching new people, as introverts approaching total strangers might be difficult, but by doing it can be improved.

According to the theory of networking, it is a cycle that never ends and it should be maintained. I would suggest companies to really focus on business relationships even if the company has been in China for a while, since there will always be people without the knowledge of the company and word of mouth is powerful what comes to the reputation of the company. The maintaining can be small gestures, such as once in a while inviting for dinner or keeping contact via social networks in the Internet.

In order to make the networking process easier and more comfortable, sometimes people should choose the events carefully, especially if they are only joining occasionally, because this way the objectives might be fulfilled better as meeting the specific and interesting people. Still as has come clear, networking events are not the only channels for networking and in my opinion all the representatives of companies should keep that in mind and try also other channels in a way to secure their status. Networking is happening everywhere and we all should have our “elevator speech” ready which is regarding to a short, exciting speech of you and your company, because sometimes you might only have those few minutes in an elevator to make a good impression. In addition to preparing the “elevator speech”, updating the style of business cards could also be done. Business cards should include all the necessary information with both languages: Chinese and English and for people to remember you, it would be good to have something special in the card, not to make it boring and bold.

Networking is something you learn to do, some learn it quickly some do not, but eventually all the people who are networking have something in the way they are networking, which should be improved. By knowing your weaknesses you can start to improve yourself and as longer you network the more comfortable the process gets.

This research was concerning only two companies but companies who operate in the same industry. For the future, it would be nice to do a research if the results are different from these in different industries or in different Chinese cities. Another interesting issue which would be nice to study, is including all the Finnish companies as case companies, of course this would be a huge research and for one person quite impossible to do as thesis. As the research problem was to find out how Finnish logistics companies, operating in Shanghai are networking, I think I was able to find that out with some concrete results. It was nice to see how most of their answers supported the theory, which of course makes the theory and their answers reliable. As the world changes and especially China is changing rapidly, we can only assume that the way how to network will change also, maybe not much, but it can always develop. If this research would be done again in for example 10 years, I assume the answers would be at least a bit different.

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Interview questions

Company background:

1. When was your company established and how long has it been in China?
How long have you been working for the company? What size of company
your company is?

Questions for the research problem:

2. Why networking is important for your business/industry in China?
3. What channels does your company use for networking?
4. What kind of networking events you join?
5. What advantages/disadvantages networking has given to your company?
6. What difficulties have you faced with the networking process?
7. What concrete results networking has brought to your company?