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PUBLIC SECTOR SERVICES FOR FINNISH SMES TO INTERNATIONALIZE TO CHINA

– Case "Turku – Tianjin project"



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JULKISEN PUOLEN PALVELUT KIINAAN KANSAINVÄLISTYVILLE SUOMALAISILLE PK- YRITYKSILLE

Kansainvälistyminen on ajankohtainen aihe eritoten suomalaisten pienten ja keskisuurten yritysten joukossa. Kansainvälistä liiketoimintaa harjoittavien yritysten määrä on noussut 2:ssa vuodessa 5000:sta pk-yrityksestä 25 000:n (Elinkeinoelämän Keskusliitto 2012; Tilastokeskus 2012). Tämä kertoo vahvasta mielenkiinnosta kansainvälistymiseen. Suomen vienti nouseviin talousmaihiin on tällä hetkellä 15% kokonaisviennistä ja on nopeassa nousussa. Kiinan osuus tästä on yli neljännes. (Elinkeinoelämän Keskusliitto, 2012.) Täten on perusteltua tutkia juuri Kiinaan keskittyvää apua tarjoavien julkisen puolen palvelujen laatua, määrää ja tarvetta.

Kiina on ollut suljettu maa monta vuotta. Siitä huolimatta, että maa alkoi avautua muulle maailmalle jo yli 40 vuotta sitten, Mao Zedongin ideologialla on vielä vahva vaikutus tämän päivän Kiinaan, sen ihmisiin, kulttuuriin ja ympäristöön. Mao korosti täydellistä kansallista tasa-arvoa, jossa kenelläkään ei saanut olla enempää kuin muilla. Tämä ideologia muuttui Deng Xiaopingin aikana. Hänen kuuluisat sanat: "Rikkaaksi tuleminen on upeaa" kuvastaa muutosta hyvin.

Suuren talousuudistuksen jälkeen Kiinan hallitusmuoto vaihtui hiljalleen keskiushallinnosta hajautetumpaan hallintoon, jossa provinssit ja kunnat saivat suuresti valtaa. Tämä taas on mahdollistanut korruption maakuntatasolle, ja vaikka maan hallitus on ryhtynyt toimiin sitä vastaan, on se Kiinassa suuri, kukoistava ongelma.

Kiina on lisäksi jaettu moneen provinssiin, maakuntaan ja erikoishallintoalueisiin, joissa säännöstely ja tavat vaihtuvat alueittain. Tämä tarkoittaa, että yhden alueen tapoja ja sääntöjä ei voida yleistää koko Kiinaa kattaviksi. Mikäli yritys aikoo kansainvälistyä Kiinaan on erittäin tärkeää, että palvelun tarjoajan toimisto sijaitsee kohde kaupungissa.

Myös Kiinan kulttuuri eroaa Suomen kulttuurista. Kiinan kulttuuri ja liiketoimintakulttuuri perustuvat Kungfutsen oppeihin. "Mianzi" (kasvot), "Quanxi" (suhteet) ja kiinalainen liiketoimintaetiketti ovat elintärkeitä kulttuurin elementtejä, joihin jokaisen tulisi perehtyä ennen liiketominnan aloittamista.

Kaikki edellämainitut asiat viittaavat siihen, että on kannattavaa tutkia Kiinaan kansainvälistyvien yritysten julkisen puolen avun ja avustuksen tarvetta. Enemmän aiheesta kappaleessa: Turku – Tianjin projekti.

ASIASANAT:Kansainvälistyminen, Kiina, Kiinan kulttuuri, Kiinan liiketoimintakulttuuri, Quanxi, Liiketoimintaympäristö, Julkisen puolen palvelut, PK-yritykset

Satu Salmela

PUBLIC SECTOR SERVICES FOR FINNISH SMES TO INTERNATIONALIZE TO CHINA

Internationalization is a burning issue, especially in Finland, among the small- and medium-sized companies. In just 2 years the number of Finnish companies transacting international business has increased from 5000 SMEs to 25 000 (Elinkeinoelämän Keskusliitto 2012; Tilastokeskus 2012). This indicates a strong interest towards internationalization. Additionally, Finland's export to emerging countries is increasing rapidly and is currently 15% of the total export and from that 15%, over a quarter is export to China. (Elinkeinoelämän Keskusliitto, 2012.) Thus it is justified to research the quality, number and demand of services supporting internationalization of Finnish SMEs, especially to China.

China has been a closed country for a long period time. Even though it started tardily to open up for the world already over 40 years ago, Mao's ideology has got a great influence on current Chinese people, Chinese culture and environment. During Mao Zedong's time complete national equality was highly emphasized and no-one was supposed to have more than the others. This changed as Deng Xiaoping became the leader of communistic China. Deng Xiaoping's famous words: "To become rich is glorious" reflects well the change in the ideology.

After Economic reform China's regime has also changed from central planning system towards more decentralized and thus provinces and municipalities have nowadays greatly authority. This has provided a chance for corruption, which is a serious problem in China currently. Even though the government has taken measures to clean house, corruption at the province and municipality level is still a big problem in China.

Additionally, as China is divided to many provinces, municipalities and special administrative areas the regulations and customs vary among them. This implicates that knowledge of one area does not mean that it could be generalized to cover the whole China. This means that if a company wants to internationalize to China the fact that the help provider's office is in that specific region brings additional value and know – how on that specific region's business environment.

Chinese culture differs also greatly from Finnish culture. Chinese culture and business culture are based on the teachings of Confucius. Mianzi, Quanxi and the Chinese business etiquette are essential element of Chinese business culture. One should get familiar with Chinese business culture before doing business in China.

All the mentioned things implicates that indeed it is worthwhile to research whether help and assistance are needed when internationalizing to China. Please read more on the subject from Case: Turku – Tianjin project.

KEYWORDS: Internationalization, China, Chinese Culture, Business Culture, Quanxi, Business Environment, Public Sector Services, SMEs

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1 INTRODUCTION

1.1 Background

Internationalization is a burning issue, especially in Finland, among the small- and medium- sized companies. In just 2 years the number of Finnish companies transacting international business has increased from 5000 SMEs to 25 000 (Elinkeinoelämän Keskusliitto 2012; Tilastokeskus 2012). This indicates a strong interest towards internationalization. Additionally, Finland's export to emerging countries is increasing rapidly and is currently 15% of the total export and from that 15%, over a quarter is export to China. (Elinkeinoelämän Keskusliitto, 2012.) Thus it is justified to research the quality, number and demand of services supporting internationalization of Finnish SMEs, especially to China.

After Economic reform in China (1978), the country started tardily to open its doors to foreign companies. Ever since the "reforming and opening" period China's economy has grown extremely fast and it is still growing. (Wang S. Chinese Economics, College of International Exchange Shanghai University, Autumn 2010)

Today's China is an attractive country to internationalize to. Not because of cheap laboring and production costs, those characteristics have moved to Vietnam and Indonesia, but because of enormous and potential market (Toni Salmela, personal consultancy).

Due to growing interest of Finnish SME's to internationalize to China and the enormous potential the country has to offer for the foreign companies, Turku Region Development Centre decided to research whether it should establish an office to Tianjin, China, or not. The possible office would assist SMEs firstly from Turku and Southwest Finland region in their internationalization process to China. I use this case as an example in my thesis.

1.2 Objectives of the thesis

Sometimes the differences between cultures, ways of doing business, Chinese language and the lack of information can be obstacles for companies willing to internationalize to China. This study's purpose is to research the elements behind internationalization, especially internationalization to China. The research questions I try to provide answers are: 1) What are the barriers hindering the process of internationalization? 2) And do the companies need help to overcome these barriers? I try to provide answers to these questions by first analyzing the basic elements of internationalization, secondly analyzing and providing country – specific information about China as a business environment, thirdly providing information and analyzing the current public sector services for Finnish SMEs to internationalize to China and finally researching and providing a practical case example: Turku – Tianjin project.

1.3 Motives

I have been always very interested in China, Chinese culture, business culture and language. Therefore I did my exchange in China, in Shanghai University, the College of International Exchange, in the autumn 2010. I could argue that my older brother Toni Salmela, who lived in Hong Kong for several years, has got a great influence on my fascination towards China. His experiences, stories and adventures have inspired me and my passion for China. The more I found out about China the more I get curious.

I was extremely lucky when Megumi Hayashi from Turku Region Development Centre asked me to take part to the Turku – Tianjin project by preparing my thesis on the subject. I could not have hoped for better subject for my thesis. With the help of my thesis supervisor, Laura Heinonen, we managed to plan my thesis around the Turku – Tianjin project, which in this study is used as a case study. This study tries to combine the theoretical information of internationaliza-

tion, Special country info about China, practical case study and business perspective.

2 INTERNATIONALIZATION

Internationalization is a current topic all around the world, especially among companies planning to expand their businesses. For some companies internationalization might be the only option left in order for the company to make profit. Globalization has assisted the process of internationalization greatly; gaining information, travelling and communication have become easier and more effective due to globalization and new technology. On the other hand globalization may have raised some new challenges for companies to overcome. The following chapters will provide information and analyze some basic elements of internationalization from small – and medium – sized companies point of view. Chapters' purpose is to also present the complexity of internationalization and international marketing.

2.1 Internationalization in Finland

Internationalization has become a burning issue, especially internationalization among Finnish SMEs is topical. Team Finland, which is a relatively new export promotion network of organizations, organized a seminar about SMEs' internationalization, in Finlandia building in September 2012. The seminar was crowded and full of enthusiastic entrepreneurs and high status government officers. That indicated high interest and commitment of Finland's government and entrepreneurs towards internationalization (Elinkeinoelämän Keskusliitto, 2012). Team Finland consists of co-operation of Ministry of Foreign Affairs of Finland, Confederation of Finnish Industries, Finland's Chamber of Commerce, Federation of Finnish Enterprises and Finpro and represents a new way of supporting and promoting Finnish export. (Team Finland 2012.)

According to Tilastokeskus (2012) approximately 5000 Finnish companies transacted international business in altogether 118 different countries in 2010. These companies employed approximately 600 000 people abroad. Confedera-

tion of Finnish Industries (CFI) argues that; “A quarter of Finnish companies transact regular international trade in 2012” (Elinkeinoelämän Keskusliitto, 2012). This number refers to approximately 25 000 SMEs from which almost 19 000 companies transact export. The number of internationalizing companies has increased enormously in just two years and according to CFI’s estimation, the number will keep increasing in the future as well; currently every tenth of Finnish SEMs consider moving part of and / or the whole business abroad in just 1 to 3 years. Even though a great part of Finland’s export is to EU countries, export to emerging countries is increasing rapidly. Currently Finland’s export to emerging countries is 15% of the total export and from that 15%, over a quarter is export to China. (Elinkeinoelämän Keskusliitto, 2012.)

2.2 Definitions

Internationalization, international, global and multinational marketing are occasionally spoken interchangeably when referring to international business in general. However, despite the similarities in the mentioned terms, they mean very different things. In order to fully understand the complexity of internationalization, the following chapters try to provide definitions and more in depth – view to following terms: SME, Internationalization, International marketing, Multinational marketing and Global marketing.

2.2.1 SME

In this research terms “small – and medium – sized enterprises” and “SMEs” are used interchangeably. The determination of a small – and medium – sized enterprise is accordance with Confederation of Finnish Industries definition which came into force 1.1.2005 and European Commission determination. In this study the term SME covers micro –, small –and medium – sized companies in which:

1) micro – sized company is a company which employs less than ten (10) persons and which revenue and total assets are either less than or equal to two (2) million Euros,

2) a small – sized company is an enterprise which employs more than nine (9) persons but less than fifty (50) persons and which revenue and total assets are either less than or equal to ten (10) million Euros and

3) a medium – sized company is an enterprise which employs more than forty nine (49) persons but under two hundred fifty (250) persons and which revenue is maximum fifty (50) million Euros and which total assets is maximum forty three (43) Euros.(Elinkeinoelämän keskusliitto 2012; European Commission, EU recommendation 2003/361.)

2.2.2 Internationalization

The term internationalization refers to the change of organization's marketing methods, more specifically it refers to the transforming process from domestic marketing to international marketing during a specific period of time (Clarke & Wilson 2009, 8). Albaum etc. (2002, 4) define internationalization as a process, a way of thinking and / or an end result. Both definitions agree that internationalization refers to a process. Additionally, when combining the two definitions, internationalization can be interpreted as the end result of the process of a company and that during the process it has changed the company's way of thinking towards more internationalized course.

Buckley & Ghauri (1999, 9) argue that internationalization's background is the growth of the firm and that internationalization and growth do not differ from each other until to a certain degree. They also state that despite the similarities, there are various differences between growth and internationalization, or at least between domestic growth and international growth.

2.2.3 International marketing

International marketing is defined as all trading (sale of goods, information, products and services) that happens across political boundaries (Albaum etc. 2002, 4). International marketing includes all the aspects of domestic marketing, such as: product designing, planning, pricing, promoting, placement, delivering, and possible support for end users. In addition to domestic marketing elements, international marketing is more complex, challenging, uncertain and risky than domestic marketing since it has the same key elements as domestic marketing but in a different, new, unfamiliar environment where the customer buying behavior (tastes, needs, demand etc.), country's economic policies, laws, economic level of the country and ways of doing business may vary greatly from the familiar domestic market.

2.2.4 Multinational marketing

According to Albaum etc. (2002, 5) multinational marketing refers to companies which are strongly committed to international marketing. More specifically it refers to those companies' international marketing strategy approach which is to address every economy differently, differentiate the products to meet the needs of the specific country and develop new marketing strategy for every new foreign market they enter. Thus every foreign market is then different from each other and one of a kind. Cateora etc. (2009, 19-20) argue that international and multinational marketing are interchangeable, that both refer to the international way of thinking.

2.2.5 Global marketing

Global marketing does not differ from multinational or international marketing with the way of thinking, but with the marketing strategy approach. Global marketing companies, such as McDonalds and Coca-Cola, address every new

economy they want to enter the same way as the all the other countries. They do not differentiate their products for a specific economy nor develop a new market entry strategy for every foreign market they enter. (Cateora etc. 2009, 20; Albaum etc. 2002, 5.)

2.3 Internationalization modes

There are various classifications for different entry modes. For example Gary Armstrong and Phillip Kotler (2011, 520) argue that there are three main categories under which every entry mode can be categorized to: Exporting, Joint Venturing and Direct Investments. Whereas Clarke and Wilson (2009, 203) state that those three categories are called: Export, Contractual agreements and FDI. Researchers do not even agree on the number of the main categories; Cateora etc. (2009, 320) argue that there are four categories of entry modes: Exporting, Contractual agreements, Strategic international alliances and FDI. Hollensen (2007, 304) divides market entry modes into three larger categories: Exporting, Intermediary modes and Hierarchical modes. Intermediary modes, that is to say contractual modes, include management contracts, franchising, licensing, joint venture and all other modes with shared risks and control and split ownership. With hierarchical entry modes Hollensen refers to investment market entry modes where the risks and control are high and flexibility is low – a fully foreign owned enterprise. (Hollensen, 2007, 304.) Despite the argued main categories, the entry modes are stable. Some entry modes involve higher investments and risks and large commitment to the foreign market than other entry modes and thus the entry mode selection depends also on company size, capabilities and resources. For more information about Turku and Southwest Finland SMEs' entry modes see chapter 7.3. Findings, table 3. The following chapters concentrate on presenting the following market entry modes briefly: Export, Licensing, Franchising and Foreign direct investments.

2.3.1 Export

Export is argued to be the easiest way of international business (Armstrong & Kotler 2011, 520; Cateora etc. 2009, 320). Exporting means briefly; selling goods and / or services, which are produced in the home country of a company, to foreign market. There are two kinds of exporting modes; indirect export and direct export. Indirect export means selling goods and / or services to a company (intermediary) in home country which retails them abroad. A good example of this kind of organization is Wall Mart. Direct exporting means selling goods and / or services produces in home country to foreign market without any intermediaries in home country. However intermediaries are commonly used in the foreign market before the goods or services reach the actual end users. These kinds of intermediaries can be merchants (take the title to the exported goods) or agents (is a representative and acts on behalf of the exporter) which help the company to retail the goods / services in the foreign market. Indirect export is an easy way to start internationalization process because the risks are low and it does not require large investments; the intermediary takes care of the foreign marketing network. Whereas direct export involves greater investments and risks, but also greater possible profit. (Armstrong & Kotler 2011, 520; Clarke & Wilson 2009, 203 – 206; Cateora etc. 2009, 320; Albaum etc. 2002, 275 – 300).

2.3.2 Licensing

Licensing refers to an entry mode where a company (licensor) makes a contractual agreement with another company (licensee) in another country in order to give the rights of a product / service to the licensee to use it against a fee or royalty. (Armstrong & Kotler 2011, 520; Clarke & Wilson 2009, 209 – 210; Cateora etc. 2009, 321; Albaum etc. 2002, 347).

2.3.3 Franchising

Many researchers argue that franchising is a form of licensing (Cateora etc. 2009, 321 – 322; Albaum etc. 2002, 349). Whereas Clarke and Wilson (2009, 211) state that franchising is one type of contractual agreement strategy like licensing, but separate from each other. Franchising refers to a market entry strategy where a franchiser provides all the crucial materials for the end product, management services and systems for the franchisee. In proportion, the franchisee provides local market knowledge and personal commitment to the management. Franchising provides the opportunity for the franchisee to manage usually already profitable business and the franchisor the possibility to expand its business rapidly with substantial control and low investments. (Clarke & Wilson 2009, 211 – 212; Cateora etc. 2009, 321 – 322; Albaum etc. 2002, 349).

2.3.4 Foreign direct investment (FDI)

Investing directly to a foreign market involves high risks and challenges but if well planned, it might mean lower import taxes to the local market, lower transportation costs to the market, a possible access to raw materials and for some companies low cost labor, but overall it may bring a market entry. (Armstrong & Kotler 2011, 522; Cateora etc. 2009, 328 – 329.)

According Clarke and Wilson (2009, 213 – 214), there are 3 different types of motives behind foreign direct investments: 1. resource seeking, 2. strategy seeking and 3. market seeking motives. Following case is an example of the mentioned motives; approximately ten years ago several companies invested in China in order to lower their production costs, which was possible due to the fact of low cost of raw material and its transportation costs and low laboring costs. China was an idealist country for a company with resource seeking motives to internationalize. Currently, due to the risen economic level of China, the labor costs have increased and companies invest in China because of a huge, potential market and purchasing power. The motives have changed towards

more market seeking rather than resource seeking motives (Toni Salmela, personal consultancy).

Moving production lines and facilities overseas is the most common topic when discussing about FDI. However, as the motives for FDI are already presented, it can be argued that foreign direct investment does not only mean that. FDI includes all forms of investments, buying and / or investing in local foreign companies or establishing new ones. Establishing a sales or distribution subsidiary, investing in an equity joint venture and establishing or buying a wholly foreign owned enterprise are all foreign direct investments. (Armstrong & Kotler 2011, 522; Cateora etc. 2009, 328 – 329; Clarke & Wilson 2009, 214.)

2.4 Internationalization theories

If you use web search engine Google and type there “internationalization theories”, you will get 2 610 000 hits. Additionally Wikipedia provides several internationalization theories. Different books about marketing or international marketing concentrate on different theories as do various scientific articles and journals as well. From those several theories this thesis will concentrate only on 2 of them which are important from SME’s point of view. The following theories will be presented briefly in this chapter: Uppsala model and Born Globals.

2.4.1 Uppsala model

Uppsala Model is based on Jan Johanson’s and Jan – Erik Vahlne’s research in 1977 and consists of two separate models; Stage model and Internationalization process model. (Johanson & Vahlne, 1977,11.) Johanson and Vahlne explained internationalization with the dynamic and cycling model below.

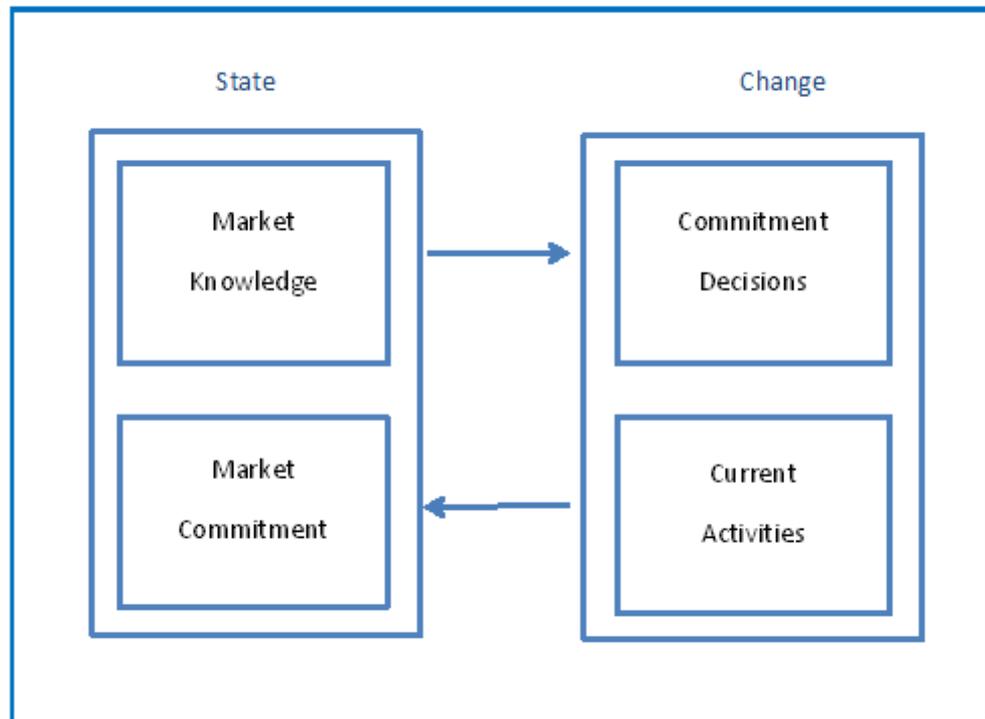


Figure 1. Company's internationalization process, the state and change aspects. (Johanson & Vahlne 1977, 12; Johanson & Vahlne 2009, 1412)

This model is based on Johanson's and Vahlne's theory on internationalization's state and change aspects. Johanson and Vahlne argued that companies learn through their experience in foreign market and thus change and gain market knowledge through their experience. While the gained market knowledge enables companies to make market commitment decisions. Thus, after experience, companies change through their decision of commitment to the foreign market. Increased market commitment requires more market knowledge and hence the model is cyclic as can be also noticed from the figure 1. above. (Johanson & Vahlne 2009, 1412; Johanson & Vahlne 1977, 11 – 12.)

According to the model, the stages of internationalization, in other words; establishment chain, are as follows: 1. ad hoc export, 2. export via intermediaries, 3. establishment of a foreign sales / production affiliate, 4. foreign production/manufacturing units. Two factors behind the incremental nature of international process are 1. lack of market knowledge and 2. uncertainty in the deci-

sion processes. (International Marketing, Mari Ketolainen, Autumn 2010; Johanson & Vahlne 2009, 1412.)

Uppsala model has received criticism from other researchers, however it needs to be recognized that this model was developed in 1977, when globalization was not present as strongly as now and the information and knowledge about market complexities were limited. However criticism may still be presented towards generalization of this theory; SMEs' internationalization process may follow the step – by – step model, but what about bigger companies with large resources? They could take larger internationalization steps as well. Also market knowledge can be gained not only through experience but also through various channels. Globalization has assisted internationalization process in many ways and as gaining information has become easier, it has increased companies market knowledge remarkably. Nonetheless and therefore the separation between valid and invalid information has become more difficult. Anybody may publish an article / journal / column and put it in Google. Critical review on information found from internet is crucial nowadays. Additionally, due to various channels of information the total supply of information and internationalization supporting services can be very fragmentary from company's point of view.

2.4.2 Born globals

Born globals was first defined and used by Oviatt and McDougall (Oviatt & McDougall 1994, 49). They defined Born globals, international new ventures in following words: “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources from and the sale of outputs in multiple countries” (Oviatt & McDougall 1994, 49). Some of the characteristics of Born globals are technology – oriented SME with less than 500 employees, annual sales under \$100million, vision and strategy to become global/ international, managed by entrepreneurial visionaries. (International Marketing, Mari Ketolainen, Autumn 2010.)

2.5 Why to internationalize and where?

As Buckley and Ghauri argued; the base of company's internationalization is growth (1999, 9, see also chapter 2.2.1). This could be interpreted that one motive to internationalize is a company's will and capability to expand the business abroad and possibly increase profit.

Foreign markets offer also great opportunities to companies; more purchasing power, potential markets, lower trade barriers, easier and cheaper access to raw – materials and lower production, transportation and possibly laboring costs. Sometimes, however, the decision to go international is causal to a company's overproduction or to competitive pressure. As an example of competitive pressure: according to Confederation of Finnish Industries several Finnish SMEs have had to change their way of exporting from indirect to direct export as the competition has tighten (Elinkeinoelämän Keskusliitto 2012).

For some companies going international could bring more international reputation which could add value and give a competitive advantage to the company in question. Also managerial urge, capability and know – how may act as a trigger for internationalization process. Thus it could be argued that there are two main categories behind the reason and / or motives to go international: proactive and reactive factors. (International Marketing, Mari Ketolainen, Autumn 2010.)

When deciding which markets to enter it is crucial for a company to research thoroughly all the possible internationalization destinations and stay open minded. Which market to enter is one of the most important questions in the whole internationalization process due to company's commitment decision on the market.

The company should start the internationalization process by doing global market research. It should also concentrate on researching the political, economical and socio cultural environment of the possible destination countries. And only after thorough research on the mentioned topics, should the company start making decision, which market to enter. A company should also decide which

kind of international business it is going to practice; Does the company strive for actually selling the products by itself in foreign market or through intermediary / intermediaries? Does the company want to save in production costs and move the whole production line or part of it abroad etc. If a company will for example start direct exporting, the company should also do market and customer buying behavior research. Whereas if a company just wants to save in costs and moves part of its production line abroad, the company should concentrate more on researching the most economic option. Thus market entry decision effects on the international destination decision.

Most of the companies, especially SMEs, do not have the resources to research all of the mentioned topics thoroughly which means that they do not have the resources to make decisions about which market to enter and thus help and support in internationalizing process is needed. There are several services available to support internationalization of SMEs'. For example, Finnish public sector provides various services for SMEs to internationalize and additionally there are several private consultancy companies, which provide supportive services as well. More information about Finnish public sector services is provided in chapter 4. Public sector support.(International Marketing, Mari Ketolainen, Autumn 2010.)

2.6 Risks and challenges of the new market environment

There are several barriers that might hinder the process of internationalization. Companies doing international business face several same problems as domestic companies but additionally the foreign market's different, unfamiliar and sometimes even uncertain environment may rise up new, surprising challenges. The case "Turku – Tianjin" project also asked the target group companies to answer to a question: Which of the following factors have had a challenging influence on your company's internationalization process, in order to find out the most challenging barriers of internationalization process to China. Business culture and local market competences were listed as the top 2 barriers hindering

the process of internationalization. It has to be also recognized that 90% of the respondents had experience on international business. For more information about Turku and Southwest Finland SMEs' internationalization, see chapter 7 Case: "Turku – Tianjin" project.

Albaum. etc. divides these challenges into 4 different categories: 1. economic forces, 2. socio – cultural forces, 3. political – legal forces and 4. competition (2002, 84). Some researchers may study the challenges and risks through analyzing the micro – and macroenvironment of the company (Armstrong & Kotler 2011, 95 – 99). Whereas some people use PESTLE analysis, where PESTLE stands for Political, Economic, Social, Technological, Legal and Environmental issues, to study and analyze the possible risks and challenges of international business (Clarke & Wilson 2009, 131 – 132). This chapter presents some of the basic barriers companies might face when internationalizing their business abroad. If looking at the risks through the 4 forces (Albaum 2002, 84) the challenges would be categorized somewhat following way:

Economic forces / Commercial risks include risks such as, exchange rate fluctuations, currency devaluations and interest rate fluctuations. For example, a company might make profit by selling goods to a foreign market but it might also lose it all due to currency devaluations or interest rate fluctuations. For many businesses currency rates are crucial. Commercial risks also include bankruptcy, frauds, and risks regarding to export transportation and distribution. (International Marketing, Mari Ketolainen, Autumn 2010; Clarke & Wilson 2009, 131 – 133; Albaum etc. 2002, 85.)

Socio – cultural forces / General market risks refer to risks such as: misunderstandings and conflicts due to language and cultural differences and ways of doing business. It also refers to differences in consumer behavior and tastes which might lead to product differentiation. Also differences in doing business may lead to difficulties in finding a proper distributor and / or subcontractor and of course further on, quality problems. (International Marketing, Mari Ketolainen, Autumn 2010)

Political – legal forces / Political risks refer to, for example; Foreign government restrictions on export and import, foreign exchange controls imposed by host governments and high foreign tariffs on imported products. Additionally the regulations and procedures of foreign import may be occasionally very confusing and the documentation of trade might be extremely complex, especially if the bureaucracy is high in the country. Political and legal risks refer also to lack of governmental assistance in overcoming export barriers and lack of tax incentives. Governance and civil wars are also part of political and legal risks that some companies may face when internationalizing their business. (International Marketing, Mari Ketolainen, Autumn 2010.) The World Bank and International Finance Corporation measure and report annually the fluency of doing business in different countries. The suggestive report provides information about the fluency level of doing business in a country by ranking all the participant countries in a list. The reports may be useful for companies planning to expand their business abroad. (Doing Business 2012)

Additionally history plays a vital role in understanding the foreign market as it is today and understanding people's behavior. According to Geert Hofstede's cultural onion, culture consists of three layers, which can be seen in the picture 3, in chapter "Concept of culture and national culture" (see chapter 3.4.1). In the core of the cultural onion are values, which do not change easily even though the time goes by. Therefore it is essential to know about country's history even if it would be out-of-date but it still has got an influence on the current culture and the country we know. (Hofstede 2012)

Competition is also one risk that several companies face when entering a foreign market. The question is; how can international companies compete with local firms for the same purchasing power? For example in China, several times international retail companies face the fact that they cannot compete with local companies about the price. Local, usually government – owned, enterprises have dumbed prices so low that foreign companies cannot compete with their prices. (Wang S. Chinese Economics, Shanghai University College of International Exchange, autumn 2010.) Additionally the size of competitors and the

quality of competitors effects on how big the risk of competition realistically is. For example, if an SME's area of business would be mobile phone industry, the company should concentrate its business on developing something amazingly new rather than making the same kind of smart phones as Apple, Samsung or Nokia, in order to manage to avoid infringement of patents and to make profit. According to the case "Turku – Tianjin", one service which would ease the internationalization process to China is competitor analysis. In fact, 90% of the respondents think that competitor analysis would assist their company's internationalization process (see chapter 7.3 Findings, table 4.).

Even though there are various possible challenges in an internationalization process, it does not mean that every company will face the same ones or the whole list of them. The fluency of the internationalization process depends on how prepared the company is to enter a new market, how well the company has studied the market and the internationalization destination as a country. And despite of extreme thorough preparation, a successful internationalization process depends also on company's capability to manage, control and minimize the impact of the risks when facing them.

Also luckily, companies do not have to face these challenges alone; Finland's public sector provides several services for Finnish companies willing to internationalize their business. More information about the public sector services will be provided later on in chapter 4. Public sector support.

3 CHINA AS A BUSINESS ENVIRONMENT

This section of the research consists of literature review and analysis about China as a business environment for Finnish SMEs.

The term *business environment* is really wide and thus it was decided to address the concept *business environment in China* from four point of views. In this study China's 1) versatile country, 2) history, 3) politics and 4) business culture are emphasized. The topics were chosen partly before and after interviewing a sample of SMEs, which were interested in internationalizing to China. Based on the interviews' results and discussions, the most essential topics, from business perspective, were chosen. In a questionnaire called "China as an internationalization destination for Finnish SMEs from Turku and Southwest Finland region" a following question was asked: Which of the following factors have had a challenging influence on your company's internationalization process? From 5 listed options, "lack of local market competencies" and "Chinese business culture" had the highest frequencies. This study concentrates on the latter topic. As Chinese business culture is based on Chinese culture which has got a long history, it was considered to be essential to present China's history and politics. Additionally, facts and figures about China were considered important. As the Chinese culture and business culture vary between the provinces and municipalities, the first chapter "versatile China" tries to illustrate the actual size of the country.

The paragraph *China as a business environment* also provides the base for the case study, Turku – Tianjin project. This paragraph provides the information and background for: what it is to be a foreign SME in China today, from five mentioned point of views. By providing in-depth information from China's business environment the author tries to indicate why Finnish SMEs might need public sector services when internationalizing to China. Although it needs to be noted that the term "business environment" is only addressed from five point of views

and thus for more reliable research all variables of business environment should be taken into consideration.

3.1 Versatile China

China is a really vast country with a long history. The facts that China's total area is approximately 9,6 million km² and it has the largest population in whole world (1,3 billion) mean that the word "China" consists of many factors. China is a very versatile country. (Kauhanen 1999,11; Ellegard etc. 2008, 4)

In 1990's many organizations moved their production or part of that to China due to cheaper laboring and production costs. So called China phenomenon was the business trend until the early 21st century (Attac ry 2012). According to Tekes' Beijing office's director Kari Hiltunen, companies do not anymore invest in China due to more economical production but due to potential and growing local market (Taloussanommat 2011). Despite the China Phenomenon and an increasingly amount of information about China available, not all people know about one of the world's leading economic super powers.

This study's purpose is to improve and widen the picture many people might have about China – a big country with long history and mystique culture. China is a country like any other one; it has got its own history, culture, business culture, religion, geographic, legislation and politics etc. If a company decides to globalize its business it has to research all of the mentioned topics of the destination country regardless of the country of destination. In the questionnaire "China as an internationalization destination for SMEs from Turku and Southwest Finland region" (please see chapter 7. Case: Turku-Tianjin project for more information about the questionnaire) there was a question: Which of the following factors have had a challenging influence on your company's internationalization process? From the five options listed, alternatives d "lack of local market competencies" and c "business culture" had the highest frequencies. Option "other" was also provided. One of the specified "other" answers were

“the common unawareness about China”. These answers support the argument that for many people China is still a mystery.

3.1.1 Geographic

China is a vast country and with its 9,640,821 km² of total area, China is the third largest country in the whole world after Russia and Canada. Additionally China is then approximately 30 times Finland's size. The capital of People's Republic of China (PRC) is Beijing. China has got 14 borderline neighbors which are North – Korea, Mongolia, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, India, Nepal, Sikkim, Bhutan, Myanmar, Laos and Vietnam. The distance from North China to Southern border of China is approximately 5,500 km and horizontally from East to West the distance is approximately 5,200km. (Kauhanen 1999,11; Ellegard etc. 2008, 4.)

3.1.2 Population

China has got the world's largest population, over 1,3 billion. Even though China is a tremendously large country only approximately one third of China's land area is usable for living. The rest of the land area consists of mountain ranges and deserts. The variance between the highest and lowest point in China is enormous; Mount Everest in the borderline of China and Nepal (8 848 meters) vs. Lake Ayding (-154 meters) which is located in West China's autonomous region, Xinjiang. Therefore almost 90% of the population is living in the East coast of China and alongside some of the largest rivers in China, such as Jangtse (Chang Jiang) and Yellow river (Huang He). (Kauhanen 1999, 12-13; Ellegard etc. 2008, 4.) This fact is currently changing as China has developed the country's inner parts as well. One of the most important goals of the current 12th five-year-plan is to stimulate the urbanization (FECC 2012 a).

According to my Chinese Economics teacher there was a common Chinese idiom that “the more children you have the more support you get” (Shanghai

University the College of International Exchange, 2010). This idiom means that especially in rural areas, giving birth to as many children as one could and rely that they will look after was the only option for the Chinese to ensure their future's old days. 1979 one child policy came into force. The policy's objective was to regulate the extremely fast growing population. The policy varies between cities and countryside; In the cities one child policy is more strict than in rural areas. One-child-families are provided with some notable economic conveniences which a family will lose if they get another child. In the countryside if the first child is a girl the family is usually allowed to have a second child. A boy child has been the only pension and social security due to the fact that girl child's family "changes" as she gets married. She is then part of the husbands family. One child policy and boy children's favoring has led to a twisted gender population distribution: there were approximately 647 million females and 698 million male in China (Geohive, 2012), which means that there is approximately 51 million loss of women in China.

On child policy has succeeded to decrease the birthrate in China, however one other downside of the mentioned policy is the aging of the population. According to Central Intelligence Agency (CIA, 2012) Chinese population's age structure is as follows:

0-14 years: 17.6% (male 126,634,384/female 108,463,142)

15-64 years: 73.6% (male 505,326,577/female 477,953,883)

65 years and over: 8.9% (male 56,823,028/female 61,517,001)

This means that there will be booming amount of people at pension age in the future (Kauhanen 1999, 20).

3.1.3 Climate

China's climate varies from Southern China's tropical to Northern China's sub-arctic climate. Temperature variations between China's regions are tremendous, especially during the winter time. In the northern part of China the temperature might drop below 0 whereas in the southern China the temperature stays relatively high. In South – China the winter time is practically monsoon period. (Kauhanen, 1999, 16-17; Kwintessential, 2012.)

3.2 History of China

As mentioned, China's history is very long; it extends to more than 5,000 years back in the past. Therefore a brief introduction to the history is crucial in order to understand current China and its culture.

3.2.1 From Dynasties to People's Republic of China

China has gone through ten's of Dynasties, where the power of the kingdom moved from father to son. Perhaps the most important Dynasty was two hundred years before the Christ when Qing Shi Huang united China as a one country. He also standardized written Chinese language and measurement units such as money, weight and length. After Qing Dynasty there were the tribal wars. Suit Dynasty reunited China after tribal wars and border arguments. Nevertheless Tang and Song Dynasty were the "gold times" of China. Silk Road was used more often to bring silk and porcelain abroad and therefore foreign trade grew. Buddhism was strong side by side with Taoism and Confucianism. However peace was not yet achieved. The Mongolians attacked from up North and Tsingis – kaan conquered everything he saw. 1279 his son Kublai – kaan established his own Dynasty; Yuan. Mongolians were not strict rulers, they allowed foreign trade and all the other relations to the other countries. During Ming Dynasty 1368-1644 the Great Wall of China was finished.

The last Dynasty was called Qing. However it did not last long because the western countries had reached for the foreign trade permissions from the 18th century on. The loss in the Opium War in the middle of 19th century fastened the transition from Dynasty to empire. 1911 empire was suppressed and China turned into republic. The next year Sun Yatse was elected to be the president of China's Republic. However disagreements and conflicts ran the country into civil war. The communists won the war in 1949 with their leader Mao Zedong and help of Soviet Union. China turned into People's Republic of China on the 1st of October in 1949 and the old party in power moved to Taiwan.(Ellgard etc. 2008, 24-32; Jiang V. Chinese Culture, Autumn 2010.) Taiwan has thereafter wanted to be independent, however China has not allowed that (Asikainen and Vuori 2005, 13).

3.2.2 People's Republic of China 1949 and onwards

After Mao Zedong's (Mao Tse – tung) victory and the beginning of People's Republic of China the country's legislation was modified to follow the communistic idea and ideology (Kauhanen 1999, 39). According to Blackman (1997, 56), communists spread propaganda against foreigners in order to unify people and make them support the communist party. Also English language teaching at the schools was replaced with Russia language. Additionally all the publications from America and EU were strictly forbidden.

The very first five-year-plan was established in 1953, however Mao Zedong was not pleased with the country's economic development and growth so he decided stimulate it by starting a project "a great leap" in 1958. The purpose of that project was to increase the rural areas' urbanization and to develop the steel industry. However the project was a total failure; the agriculture was neglected, which lead to enormous famine and which consequently lead to approximately 30 million's people death. Additionally the project didn't achieve its industrialization objectives either. At the same time disagreements between PRC and Soviet Union grew which lead to an end of the countries' co-operation in

1960; China was practically a closed country. (Kauhanen 1999, 39; Aasiaverkosto 2012; Suomen Ulkoasiainministeriö 2012 a.)

In 1966 Mao Zedong started a new project – Cultural Revolution. The objectives for the Cultural Revolution were as follows:

- root out everything related to capitalism
- realize a complete national equality

This all led to persecution and criticism toward the educated and middle-class people. People with current or previous foreign connections got into trouble. The old way of thinking, customs, habits and the old culture of China were ordered to be demolished. The Cultural Revolution continued almost 10 years, first with Mao Zedong's lead but after his health started to weaken the so called pack of four took over and continued the Revolution until the death of Mao Zedong in 1976. (Kauhanen 1999, 40; Aasiaverkosto 2012; Suomen Ulkoasiainministeriö 2012 a.)

Shortly after Mao's death the "pack of four" was arrested and China started to modernize; Deng Xiaoping was nominated as a deputy speaker for the Communist party and they admitted that Cultural Revolution was a serious mistake. China's Open door policy period started when Deng Xiaoping started the reforming period in 1978 with Premier Zhou Enlai's help. The reform's objectives were:

- to demolish the agricultural collectivism,
- to allow private entrepreneurship,
- to create special economic regions which would provide several conveniences for foreign investments and foreign businesses, and
- to unfreeze / release financial and labor markets

(Kauhanen 1999, 40; Aasiaverkosto 2012; Suomen Ulkoasiainministeriö 2012 a.)

The side effects of the reform, such as dual-track-prices and increasing corruption lead to common dissatisfaction and people started to demand democracy and freedom of speech. This led to mass demonstrations at Tiananmen's square, in 1989 where many people were killed, as the demonstrations were demolished with forcible measures. (Kauhanen 1999, 40; Aasiaverkosto 2012; Suomen Ulkoasiainministeriö 2012 a.)

After the mentioned crises many things have happened in China;

- China's economy started to grow fast ever since Opening Policy (Deng Xiaoping & Zhou Enlai 1978),
- China joined to Asian – Pacific Economic Cooperation in 1991 (APEC, 2012),
- Hong Kong was returned to China in 1997 and Macao 1999
- In 2001 China became a member of WTO. The membership of WTO meant that China had to open its market by lowering import protections and modifying the law in a way that it would be in accordance with WTO's requirements (Suomen Ulkoasiainministeriö, 2012 a).

3.3 Chinese politics

People's Republic of China is a communistic single party government. According to China's constitution law the power belongs to the nation and the China's Communist Party (CCP) uses the democracy.

The current president, and also Communist party's Secretary General, who has got executive power to a very large extent, is Hu Jintao. The premier is Wen Jiabao. (Suomen Ulkoasiainministeriö, 2012 b)

Formally the power has distributed in CRP in following way:

1. The National People's Congress (NPC / Parliament)

Parliament is elected once in every 5 year. Even though it gathers only once a year it has got a lot of authority; it enacts the law, nominates the

president, vice president, premier, and all the members of the government and selects the standing committee from the members of the parliament. Additionally NPC has the power to disband, abolish, merge and nominate new ministries and therefore the number of ministries varies.

2. The President

3. The State Council

The State Council consists of premier Wen Jiabao, deputy prime ministers, councilors of state, ministers in direct of ministries and state committees, primary auditor and secretary general. (Kauhanen 1999, 58 – 61.)

3.3.1 Administrative division of China

In the picture 2 you can see how China is divided administratively into 23 provinces (including Taiwan), 5 autonomous regions, 4 municipalities and 2 special administrative areas. The five autonomous regions are located near China's borderline and are as follows: Tibet, Xinjiang, Inner Mongolia, Ningxia and Guangxi. The 4 directly controlled municipalities are Beijing, Shanghai, Tianjin and Chongqing and the 2 special administrative areas are Hong Kong and Macao, which are mostly also self-governed areas. (Kauhanen 1999, 12-13; Ellgard etc.

2008,

4;

Wikipedia

2012.)

Administrative Divisions of China



Figure 2. Map of China's administrative areas (http://fi.wikipedia.org/wiki/Tiedosto:China_provinces.png)

3.3.2 China's 12th five – year – plan

China's 12th five – year – plan was presented in October 2010 and the government accepted it in March 2011. The new plan provides the information how China is going to handle the enormous economic growth, which has been two-figures until today, and the main focuses for 2011 – 2015.

According to the new five – year – plan China strives for increasing the domestic consumption and service sector and stop being resting on export. The focus changes from economic growth rate to sustainability, quality and environmental protection. China tries also to increase its competitiveness by emphasizing in-

novation industries and education. Preferring local Chinese firms more than currently can be also laid ahead.

From Finnish businesses' point of view the new five – year – plan means both positive and negative things; Finland is commonly recognized as world with strong emphasis and know – how on innovation technology industries and clean – tech. This provides many opportunities for companies in that field. However favoring of Chinese businesses might become an obstacle. (FinNode 2011 a; FECC 2012 a)

3.3.3 Bureaucracy and corruption in China

From central planning system China's regime has changed towards more decentralized governance and thus provinces and municipalities have nowadays greatly authority. This has also provided chance for corruption, which is a serious problem in China currently. It has been estimated that corruption increased notably especially during the movement in China, in 1987 – 1992. (Kosonen 2011, 4; Bergsten etc. 2008, 98.)

Additionally some of China's policies and ways of doing business offer chances for corruption and thus somewhat support it, especially economy and foreign business policies. Entrepreneurship and doing business are strictly controlled and regulated in China, for example for starting-up, maintaining and / or running a business in China a person needs various documents, forms and licenses which are difficult and time-consuming to get. The bureaucratic license process with various steps takes time and thus consumes the resources of the applicant organization. These kinds of situations are favorable for corruption as the Chinese officers are offered the chance to speed up the license process against a payment or a favor. (Kosonen 2011, 1-3.)

Area of doing business	China 2008	China 2012	Finland 2012
Starting a business	135	151	39
Trading across borders	42	60	6
Paying taxes	168	122	28
Getting credit	84	67	40
Registering property	29	40	25
Resolving insolvency	57	75	5
TOTAL	83	91	11

Table 1. Comparing the ease of doing business in China (2008 and 2012) and Finland (2012). (Doing Business 2008 and 2012)

The World Bank and the International Finance Corporation measure annually the fluency of doing business in different countries. This table above presents the rankings of China, in years 2008 and 2012. Additionally Finland's rankings are attached to the same table for comparison. The survey included 183 countries all over the world and the rankings were based on the time consumed to specific process, number of actions and costs. The rank of fluency varies significantly between different areas of business within the same country. In the most recent survey (2012) Finland's rank was 11th and China's rank was 91st whereas in 2008 China ranked to 83rd. (Doing Business 2012, 96 – 103; Kosonen 2011, 2 – 27.) The table shows that China's business environment has changed towards more regulated and strict environment especially regarding to: 1) starting a business (-16), 2) International trading (-18), 3) registering a property (-11) and 4) resolving insolvency (-18). However when compared the current rankings with 2008 ones, the table shows that getting credit and paying taxes have become easier processes in China. The results of the survey tells about increased bureaucracy especially in the area of international business and foreign company investments and may indicate to more strict international trade policy. (Kosonen 2011, 26 – 27; Doing Business 2012, 96.)

The government has taken measures to clean house; it has organized several anti – corruption campaigns since year 1989, the fines for corruption activity are hefty and the government also established an anti-corruption organization

called; a National Bureau of Corruption Prevention (NBCP), in 2007. Yet again due to China's enormous size it is difficult to control whether anti-corruption policy is obeyed all over the country. Additionally, China's membership in WTO in 2001 had a positive effect on China's business environment and its fluency / easiness; according to the World Bank's Doing Business – report (2004-2012) establishing a business was easier and documentation of international trade decreased in early 21st century. (Kosonen 2011, 5; Bergsten etc. 2008, 98 – 99; Doing Business 2004-2012.)

3.4 Chinese business culture

In order to fully comprehend Chinese business culture it is relevant to know about China's history (which was already presented in the chapter 2.2), its culture and the main philosophies behind it. In this chapter the “background” of Chinese culture and current business culture are presented. Due to the fact that the term business culture is extremely wide, in this study the most essential elements of business culture from Finnish SMEs', which are willing to internationalize to China, point of view are reviewed.

3.4.1 Concept of culture and national culture

There are hundreds of definitions for culture. According to Aijferuke and Bodewyn (1979, 454) there are as many definitions, purposes and meanings for culture as there are people using the term. Culture consists of many factors such as: norms, behaviors, gestures, assumptions and values. This makes culture a very complex term to define (Groeschland Doherty 2000, 14). Even though the term cannot be defined simply with words without leaving some important aspect out, some of the characteristics of culture can be defined.

- Culture is learned through the environment one born to, lives in and raises up in
- Culture is transferred from generation to another

- Culture forms the base for people's self-identity
- Culture strengthens "we"-emotion and highlights the differences between other "we"-groups
- Culture can be also conscious or unconscious

(Viljainen N., Cross-cultural communications, Autumn 2009.)

According to Geert Hofstede's cultural onion, culture consists of three layers, which can be seen in the figure 3 below. In the core of the cultural onion are values, which do not change easily even though the time goes by. Therefore it is essential to know about country's history even if it would be out-of-date but it still has got an influence on the current culture and the country we know. All three layers can be trained and learned through practices except the core: the inner cultural values.

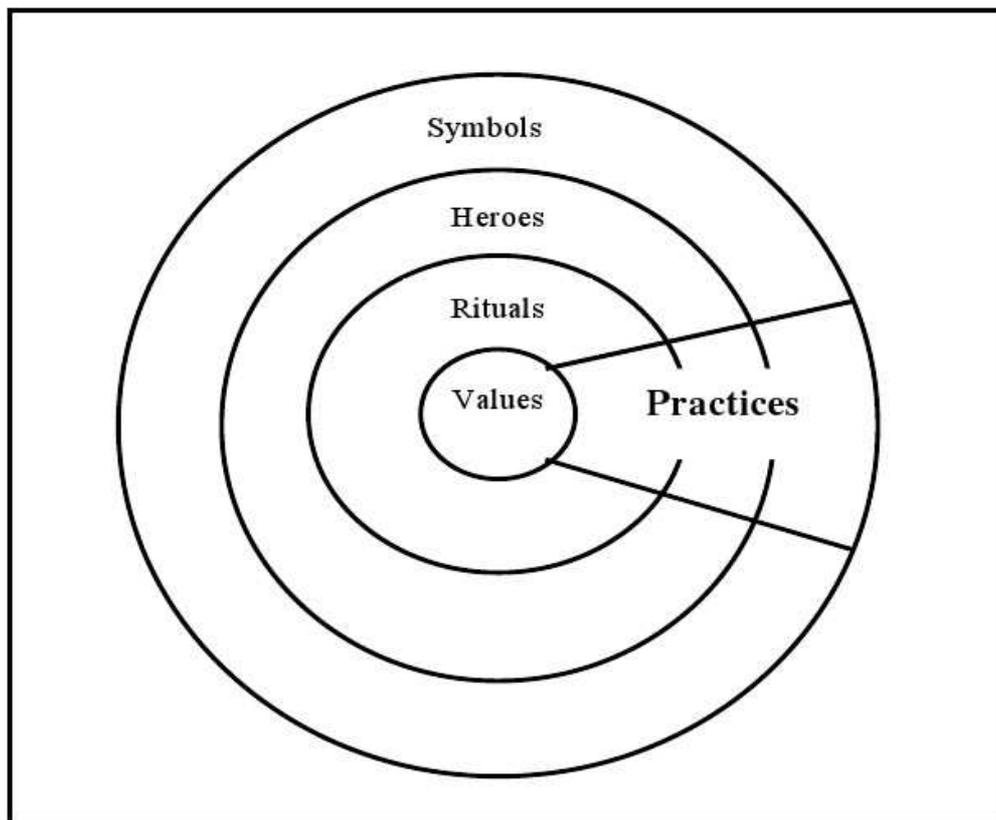


Figure 3. Cultural Onion by Geert Hofstede
(<http://laofutze.wordpress.com/2009/08/28/303/>)

According to organizational culture and cross cultural management guru, Geert Hofstede, there are 3 main reasons why nationality has got a great influence on culture: political, sociological and psychological. Political in a way that all the nations have their own legal system, government and education system which are rooted in the history and have got an influence on people's values, attitudes, behavior etc. Nationality has got also sociological influence on culture as it makes people to belong to somewhere. Belonging to a nation or region has always been a reason for men to go to war. Thirdly nationality has got psychological influence on culture as well; the early upbringing of children at home and at school varies among the national borders. (Hofstede 1983, 75 – 76.) Due to the fact that there are no scientific terminology or measurement tools for culture, the term is addressed from national culture's point of view in this study. Additionally national culture wider concept fits for this study completely as China's history, politics and upbringing have got a great effect on Chinese culture and business culture.

Geert Hofstede has developed four dimensions for describing, defining and measuring national culture. The dimensions are as follows:

- Power distance (PDI)
- Collectivism vs. Individualism (IDV)
- Femininity vs. Masculinity (MAS)
- Uncertainty avoidance (UAI)

PDI briefly means the extent to which wealth, power and position are distributed unequally in the country and the level to which the less powerful members of the society let, believe and expect power's unequal distribution to exceed. Collectivism vs Individualism measures the extent to which people prefer to be alone or in groups. Femininity vs. Masculinity measures the distribution of roles between men and women. Whereas uncertainty avoidance measures the extent to which uncertain issues are tolerated well.

(Hofstede 1983, 78; Viljainen N. Cross-cultural communications, Autumn 2009)

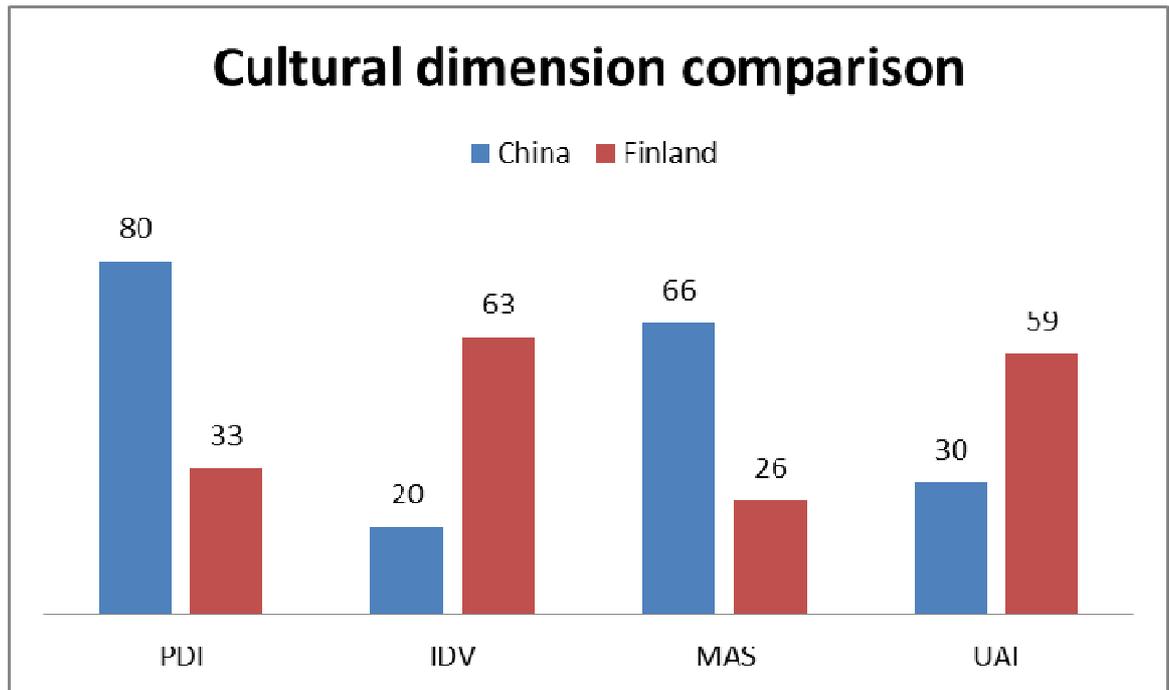


Figure 4. Cultural dimension comparison between Finland and China

Above you can see how China and Finland rank according to Geert Hofstede's research on the cultural dimensions (Hofstede, 2012). China's PDI is relatively high (80). This indicates that Chinese people acknowledge and accept that power, wealth and position are divided unequally among the nation. When considering China's history, especially Mao Zedong's time, the complete national equality was highly emphasized. Although at the time, the word "equality" meant that people should have wealth, power and position equally little, more than that people should have equally lot of everything. This did not, however, apply to the Communist Party leaders, who became wealthy. During Deng Xiaoping's time also local people were allowed to become wealthy; "Getting rich is glorious." Thus China's PDI result has got a long history. Whereas Finland's ranking in PDI (33) can be interpreted in a way that Finnish people accept that power, wealth and position can be divided unequally among the nation to a relatively low extent. A conclusion might be reached that Finnish people would not tolerate corruption nor complete national equality.

There are also differences between Finnish and Chinese people attitudes towards individualism. Finland scores relatively high with the result of 63. This

result implicates that Finnish people prefer operating on their own. It could be stated that a Finn is, in contradiction with Confucian teachings, first an individual then a family member. Whereas China's result in IDV (20) was low. This supports not only the teachings of Confucius but also the importance of mianzi (face). A Chinese person does not want to highlight his / her existence too much but to maintain the harmony inside a group in every kind of activity of social life.

China's rank in Hofstede's third dimension, MAS was 66. This indicates that there are differences between the gender roles in China. Whereas Finland's rank was 26, which implicates to more equal distribution of roles between the genders. Finland's rank in uncertainty avoidance was 59, which is slightly over average. That indicates that Finnish people are a bit more "laid back" than Chinese people.

3.4.2 The main philosophies – Confucianism and Taoism

Confucianism in China has got a great effect on people's philosophy of life, relationships and even politics, and thus Confucianism is considered more as lifestyle than religion. According to Confucianism there are five primitive virtues: humanity, justice, good manners, loyalty and wisdom. Additionally life's and society's stability is based on 5 basic relationships according to Confucianism:

sovereign	–	subjects
father	–	son
older brother	–	younger brother
husband	–	wife
old friend	–	new friend

These 5 relationship types are important to know if you want to fully comprehend China's culture, business culture and politics. The left side of the list is always preferred over the right side. This supports Geert Hofstede's high PDI rate of China (80). Confucianism way of thinking, especially the 5 relationship

types, has a great influence on Chinese people's way of thinking even today. Additionally these 5 relationship types support and highlights the importance of Guanxi (personal relationships), which will be presented in the chapter 2.4.3. (Kauhanen 1999, 29 – 30; Morejohn 2006, 12.)

Taoism was established as a counterbalance for Confucianism over 2000 years ago. Taoism strives for the harmony between human beings and nature. Additionally studying nature's mystique has always been important characteristic of Taoism. Perhaps the most important element for Taoism is the balance between Jing and Jang. Jing represents light and positive attitude whereas Jang represents dark and negative attitude. Taoism strives for harmony in all things. (Kauhanen 1999, 31.)

3.4.3 Guanxi

Guanxi has got several definitions and variations of concept. Internet search engine Google scholar found 33,700 references under word "guanxi". It is a very complex and ambiguous term. Literally translated guanxi means relation or relationship. Many researchers have focused on the benefits that guanxi brings and conceptualization of guanxi, but can a foreign person really build guanxi with local Chinese person? Does guanxi benefit Western companies in China, in other words can guanxi be built between Chinese and Finnish company? These questions are analyzed in this chapter.

Luo (2000, 1) defines guanxi as follows: Interpersonal relationship, in other words guanxi, is one of the Chinese society's significant dynamics, which both local and foreign companies will inevitably face. Guanxi is also a crucial factor of successful company performance and without extensive guanxi networks, no firm can go far. Howard etc (1995, 212 – 213) argue that guanxi is essential, in other words anything cannot be done without it. They validate the argument by stating that some of the benefits that guanxi brings are; smoother transaction, information and resources.

On the other hand the structure of Chinese and for example Finnish businesses in decision making differ a lot; In Chinese companies the decision making process is centralized in a way that the Head of the company decides everything, even the tiniest issues in the organization. Whereas in Finnish companies the decision making process can be many times decentralized in a way that there are many “levels” inside the organization which are allowed to make specific decisions. This makes practicing guanxi very difficult for Finnish companies as the guanxi is a personal asset, not inter – company one.

Gold etc. (2002, 3) define guanxi as a practically indispensable element to successfully finish off any task in every areas of social life. However they note the downsides of guanxi as well; some people criticize that practicing guanxi increases the level of corruption. Additionally, as the government has loosen its hold on the economy, the role of guanxi has increased extensively and will continue expanding (Gold etc. 2002, 3 – 4).

Matti Nojonen wrote an apt argument on guanxi (2007, 1):” – guanxi is like a third arm – – Sometimes you find it very useful, but sometimes it is in your way.” The latter refers to the nature of guanxi. As guanxi is generally understood as interpersonal relationships, which can be either informal social relationships or a net of social ties between two or more people (social networking), the nature of guanxi is reciprocal. (Nojonen 2007, 2; Yeung and Tung 1996, 55.) Practically guanxi means reciprocal favors, which implicates that one party owes always a favor for the other party. Guanxi can be broken if the relationship turns to one-sided relationship.(Luo 2000, 2.)

How to build guanxi? As mentioned, guanxi can consist of more than two persons’ relationships, therefore guanxi can be gained through intermediaries. In Chinese business culture mianzi (face) is as essential element as guanxi and thus if an important person B with good reputation (mianzi) introduces you (=A) to a person C, with whom you want to have good relationship, you have the possibility to build up guanxi. Without the introduction via person B, building up guanxi with person C would be extremely difficult and much more time-consuming. According to Luo (2000, 7) due to the fact that guanxi is dynamic,

certain social bases for guanxi can be transferred as in the example above. However Yeung and Tung (1996, 61) argue that guanxi cannot be transferred as it is a personal asset. If a person with strong and right guanxi leaves a company, the guanxi does not transfer to the company – the company will lose it. It can be concluded that guanxi as an asset cannot be transferred from a person to another, however building up guanxi can be started by transferring certain bases of guanxi's dynamics through intermediaries.

According to Luo (2000, 7) Confucian ideology should be reviewed in order to comprehend the importance of guanxi and how it operates. The 5 relationship types, which were presented in chapter 3.4.2 formulates the base for guanxi. And as was stated; the left side of the list is always preferred over the right side. This implicates that old friends are always preferred over new ones. But what if the new friend would have better things to offer in exchange, would the teachings of Confucianism guide a person's behavior in a way that she / he would still choose the old friend? Additionally, Confucian ideology emphasizes the importance of a family which also has a great influence on guanxi. A person is first a family member then an individual. This means that family members are always first before other relationships, whereas that supports Geert Hofstede findings on China's low Individualism (20) rate. Additionally it supports also Hofstede's concept of national culture, the cultural onion (see figure 3.) where the values are in the core of the "onion" and are not open to influence. (Hofstede 2012.) Confucius lived and influenced already during Han Dynasty. Notwithstanding, his ideology and teachings have still a significant importance on Chinese culture and way of thinking. (Kauhanen 1999, 29; Morejohn 2006, 12.)

Relationships and especially right relationships are important when doing business in China. Chinese do business only with their friends / acquaintances (Kauhanen 1999, 176). However, as guanxi is based on Confucianism's discipline on 5 relationship types, and as old friend is thus always preferred over new one, can a Western person ever gain guanxi in the word's actual meaning? Can relationship between a Chinese and foreign person ever be called as guanxi? And does guanxi only apply among Chinese people?

3.4.4 Mianzi

Mianzi means literally translated face. Face in Chinese culture is gained by performing one or more specific social roles, which are widely recognized by others and is thus an individual's public image. (Redding and Ng 1982, 206; Wang etc. 2007, 215 – 216.)

Hu (1944, 17) divides mianzi in to two different elements:

1. Lien is the moral character of the “face” and it is ascribed, not achieved.
2. Mien-tzu is more the public image of an individual, reputation, and it is achieved through one's own efforts, not ascribed.

It is crucial that one does not lose his / her face but it also as important to save other people's face. Perhaps the most essential thing is to “give face” to others or increase someone's face. One can give “face” to other by praising someone's reputation publicly. Like guanxi, also mianzi is reciprocal. (Buttery and Leung 1998, 384; Kauhanen 1999, 189; Wang etc. 2007, 216.) Everything is based on so called face work. Face work means practically harmonic cooperation between and among societies (Kauhanen 1999, 189).

3.4.5 Chinese business etiquette

Business cards are important element of networking in China. One should have business cards always with him / her when travelling and doing business there. Business cards and the way a person accepts it is essential: business cards should be accepted it with both hands, thumbs on the card. It shows politeness, hospitality and appreciation for the giver. One should also take a long look at the business card and on no account should one put it away. If sitting on a table, one should put the received business card beside him / her and only when leaving should the business card be put away. (Kauhanen 1999, 175; Chinese Culture, Autumn 2010.)

Negotiations with Chinese are usually time-consuming. As mentioned earlier; Chinese people do business only with their friends and acquaintances and therefore the first few days of the meeting might be spent getting familiar with each other. Before negotiations it is essential to ensure that the people you are going to negotiate with are right ones. By right people this study refers to people who are in the position to negotiate and make decisions. (Kauhanen 1999, 197.)

Chinese people obey the etiquette and protocol in the business meetings. Therefore, for example the seating order is usually carefully considered beforehand. Also many times a business meeting consists of chatting (when the parties get familiar with each other), banquettes (=dining), negotiations and the actual contract making process. (Chinese Culture, Autumn 2010.)

The meaning of good interpreter cannot be highlighted too much. English is common language in trading, however not every Chinese person can speak English fluently enough to negotiate with the language. And even if they could, they would still prefer using interpreter in order to ensure their “face”. Using interpreter gives the parties also more time to think about the next question or answer. The selection of an interpreter is also extremely important. It is essential that the interpreter can, of course, speak and understand both Chinese and English fluently but also understand both languages’ nonverbal communication and idioms, which practically means that the interpreter should be extremely familiar with both countries’ culture as well. Chinese and English languages both include many idioms which are difficult to explain to the other party if one is not familiar with the culture behind it. Additionally gestures and behavior are impossible to translate if one is not familiar with the culture behind it. (Kauhanen 1999, 179 – 183; Chinese Culture, Autumn 2010.)

There are also differences in the interpretation of a word “contract”. For Chinese, signing the contract does not mean the end of the negotiations. Whereas Finnish people tender to think that contact signing is the peak and the objective of the negotiations and after that we follow the contract as it is written. Buttery and Leung (1998, 385) state that; for Chinese signing the contract signifies the willingness to commit to the relationship and not to end the negotiations which

practically means that they may continue negotiate even after the signing process. This bases from the fact that Chinese think that contracts and agreements are based on goodwill and friendship and thus making final contracts is unnecessary. (Buttery and Leung 1998, 385.)

Gifts are also indispensable part of Chinese business culture. One must though be careful not to cross the limit of bribery, the border is really dim. Chinese people are used to give gifts. It is a common habit and the most frequent situations where gifts are given are after a good performance or a contract. Chinese business men always bring gifts as they have business delegation visits and always give gifts as one's business visit in China ends. Therefore one should prepare him / herself with gifts when planning a business trip to China. Good gifts are for example some small Finnish design things. (Kauhanen 1999, 210 – 211.)

4 PUBLIC SECTOR SUPPORT

There are several public sector services supporting internationalization of companies in Finland. The definition for the term “public sector” depends from which point of view looking at it. This study uses the term public sector when referring to city, municipality or government supported enterprises or action. In Finland many cities and municipalities support their region’s SMEs internationalization processes. The following organizations provide supporting services for companies to internationalize: The Confederation of Finnish Industries, Centre for Economic Development, Transport and the Environment, Tekes, Finnvera, Finpro and regional development centers. Despite of the various services available for Finnish SMEs the information of the supplied services is very fragmentary from companies’ point of view. This is due to several information channels used and non – co – operative work between the organizations. Public sector organizations have, however, recognized this barrier and started to improve their co – operation towards more customer – base service. Team Finland is a good example of the results of the co – operation (see more information about Team Finland in chapter 2.1 Internationalization in Finland).

However, in addition to services in Finland, companies need additional support in the destination country as well. The Following chapters provide information on the services available for Finnish companies, especially in China.

4.1 Finnish public sector services in China

There are many Finnish public sector services in China. Additionally there is also large amount of private consults. How does a Finnish SME who wants to internationalize to China know to whom to turn to? What or who would be the right quarter or organization that could assists especially you and your needs? This chapter strives for presenting some of the Finnish public sector services already existing in China.

4.1.1 Finpro

Finpro is Finland's official expert and service organization, which objective is to speed up the internationalization of Finnish businesses and minimize the risks in the process. Finpro's receives funding partly from the Ministry of Trade and Industry and partly from the charges of the services. Finpro provides help for all Finnish companies in questions related to internationalization and export. Finpro's Trade Centers provide help and assistance for example with issues regarding to marketing, market research, contacts and networking. Finpro's service's quality is measured through their customer's success.

Finpro has got 4 offices in China: the director of Beijing's Trade Center is Eija Tynkkynen, Shanghai's Trade Center's director is Mauri Francke and Jari Seilonen manages the Trade Centers of Hong Kong and Canton. (Suomen Ulkoasiainministeriö 2012 e.)

Services: Finpro has categorized the services provided well; Finpro Navigator is a service which helps a company to ensure the internationalization process. This service includes help and assistance in planning of international growth, planning of market entry, establishing the company and improving the market position. (Finpro 2012 a.)

Finpro Foresight is a useful service for every company. It is a proactive foreseeing / forecasting service which enables the companies to explore future opportunities, renew their operations and manage their growth, as well as find new markets. The service observes and analyses global operating environments, gather signals and elements associated with the changes that are under way and process these into future phenomena. This way the companies can be one step ahead of the others. (Finpro 2012 b.)

Finpro organizes also business delegation visits overseas for Finnish companies. Business delegation visits help companies to gain public awareness by having an eminence lead in the group and by helping the companies to create contacts in the target market. (Finpro 2012 c.)

Export Partner Groups is also one of the many services Finpro has to offer. The export partner group usually consists of 4 – 6 companies, whose products complete each other. “Export partner group is an effective way of launching export activities in new markets.” (Finpro 2012 d.)

Finpro provides also many kinds of information services for businesses use, such as Finnish Exporters Database, Project Information Service and Industry expertise, newsfeed service and country profiles. (Finpro 2012 e.)

4.1.2 FinNode

FinNode is an international network of Finnish innovation organizations. FinNode’s main objectives are to support Finnish innovation and R&D - concentrated businesses and research organizations in their internationalization and actively inform them about new possibilities of businesses in their field. FinNode combines Finnish and international experts and the know-how required to promote innovation. FinNode operates in the United States, China, Russia, Japan and India.

Services: FinNode China helps Finnish innovation and R&D - concentrated businesses and research organizations to access to a global network of resources. FinNode China’s objectives is to provide help for Finnish companies in, for example searching for specific IP, partners, cutting-edge research, R&D resources or talents.

FinNode China is relatively new public sector service organization. It started its operations in January 2009. FinNode has got an office in Shanghai. However, the FinNode China Network, which consists of the Ministry of Employment and the Economy, the Ministry for Foreign Affairs, Finpro, Tekes, Sitra, VTT Technical Research Centre of Finland and the Academy of Finland, have offices in 5 China’s most important cities: Shanghai , Beijing, Guangzhou, Shenzhen and Hong Kong.

FinNode China focuses on amongst other things: Cleantech& Renewable Energy, Social Challenges / Wellbeing & Aging Care, Emerging /Disruptive Innovation and Business and Production models. (FinNode 2012 b.)

4.1.3 Ministry of Foreign Affairs of Finland

The Embassy of Finland is located in Beijing. The ambassador is Lars Backström. Finland has got also one Consulate General, which is located in Shanghai, the consul general is Matti Heimonen. There has been also another Consulate General in Guangzhou, however it will stop practicing in the beginning of August 2012

Services: One of the main objectives of Embassy and Consulate General of Finland is to help companies and organizations that operate in China. Embassy and Consulate General of Finland provide help to problems regarding to authoritative operations, problems with trade's technical elements and limitations of investment activities. (Suomen Ulkoasianministeriö 2012 c.)

4.1.4 Tekes

Tekes is the most important publicly funded expert organisation for financing companies', universities', universities of applied sciences' and research organizations' challenging research, development and innovation activities and projects in Finland. Tekes funds projects with 600 million Euros a year, which means that more than 2,000 R&D project can be funded (at least partly).

Besides funding technological breakthroughs, Tekes emphasises the significance of service-related, design, business, and social innovations and thus it provides a broad view on innovation. Tekes strives to increase companies' competitiveness, increase production and export by helping organizations to change their potential idea into business by providing funding and expert services.

Tekes has got 2 offices in China, one in Beijing and the other in Shanghai. The director of the Tekes' Beijing office is Kari Hiltunen and the director of the Shanghai office is Jarmo Heinonen. (Tekes 2012.)

4.1.5 FinChi

FinChi was established in collaboration with Ministry of Trade and Industry of Finland, Finpro and Tekes in 2005. FinChi is a non – profit organization, which supports the establishment and expansion processes of Finnish Hi – tech companies in China. FinChi's headquarter is in Shanghai Zhangjiang Hi-Tech Park and branch office is in Shenzhen Hi-Tech Industry Park. General Manager of FinChi is Ms. Kristal Li.

Services: FinChi provides a fast, safe and trouble-free platform for Finnish companies, institutions and other organizations in China. FinChi is practically an office hotel. It offers an easy enter for Finnish companies to Chinese market by providing fully equipped office premises for the organizations. By having the premises in Hi – Tech parks, FinChi is able to provide a natural access to local Hi – tech companies in various industries. (FinChi 2012.)

4.1.6 Finnish Environmental Cluster for China (FECC)

FECC's main task is to promote Finnish environmental and energy – field companies' business and know – how in China. FECC is specialized in environmental issues and its activities are based on wide knowledge of the area and networking.

Services: FECC helps and supports companies through the whole marketing / quotation process if needed. FECC can also help organizations in the establishing process as well, including help with company's entry and marketing strategies and establishment of a production line. Some of FECC's services are charged and some are free. FECC is a non – profit organization and thus its charged services are still economical.

Networking and introduction are free. The more the services are connected to the company's actual business the higher the charge is. This way the company also binds to the process.(FECC 2012 b.)

4.1.7 Finnish Business Council

Finnish Business Council (FBC) operates in Beijing, Shanghai, Canton. Whereas Finnish Chamber of Commerce (FCC) operates only in Hong Kong. The members of FBC are Finnish companies which operate in China.

The trade associations are basically an information exchange and cooperation forum for Finnish businesses in China. The Trade associations organize events and seminars on current topics for their members. Finnish Business Council and Chamber of Commerce do close cooperation with European Union Chamber of Commerce. The chairman of FBC in Peking is Richard Järvinen (Nokia), Tero Koskinen in Shanghai (MPS China) and Mika Tavast (Genford Ltd). (Suomen Ulkoasiainministeriö 2012 d.)

5 SYNTHESIS

As already mentioned, internationalization is a burning issues, especially in Finland, among SMEs. In just 2 years the number of Finnish companies transacting international business has increased from 5000 SMEs to 25 000 (Elinkeinoelämän Keskusliitto 2012; Tilastokeskus 2012). This indicates a strong interest towards internationalization. Additionally, Finland's export to emerging countries is increasing rapidly and is currently 15% of the total export and from that 15%, over a quarter is export to China. (Elinkeinoelämän Keskusliitto, 2012.) Thus it is justified to research the quality, number and demand of services supporting internationalization of Finnish SMEs, especially to China.

As can be noticed from the chapter "2 internationalization", the process to go international may be complex, time and resources consuming and challenging. Company has to do thorough research on various topics before deciding which country to enter, decide the entry mode and search for possible outside financing. Of course the situation may not always be as stated; sometimes the internationalization decision can be very easy. If a company for example has done previously indirect export to a specific country and knows that there is great demand for the company's goods the internationalization decision and process can be executed relatively fast. Additionally, despite the challenges and barriers, if done well and properly, internationalization provides several possibilities for SMEs to grow their company, its profit, sales and possibly save in costs. However in order for a company to succeed in the international process, additional help and support is needed in both ends; in Finland and in the country of destination.

The economy of PRC was centrally planned until the great reforming period, which started in 1978. Central Planning system meant that everything was decided, owned and controlled by the central government. Due to the fact that the factories were state-owned there was no competition in the market, the lack of competition lead to no progress which practically meant low quality products.

However there was no output / waste of production because the government regulated even the supply in a way that there was always demand over supply. (Chinese Economics, Autumn 2010). China's economy has however changed to a socialistic market economy after Deng Xiaoping's and Zhou Enlai's reform and ever since China's economy has grown fast. Economy's fast growth has still got its downsides; the inequality of living standards has grown tremendously, especially between the people living in the cities and countryside, the unemployment has increased greatly, corruption is flourishing, pollution has increased and there are problems with energy efficiency (Kauhanen 1999, 42; Chinese Economics, Autumn 2010). According to Tauno – Olavi Huotari's article (Kiina – Suomi seura, 2012) the current president Hu Jintao and premier Wen Jiabao do note the downsides of fast economic growth and their effects. However the solution for that is to increase the growth; it is believed that the development and growth will benefit the poor people as well in the long run. The question is how long will it take? When considering the fact that only one third of China's total area is suitable for living – the East coast of China, and that the government started the urbanization of rural areas properly only in the beginning of 21st century. This implicates that the great coastal cities will inevitably get even richer and most likely be always wealthier than the provinces in continental China.

The Cultural Revolution has left deep scars to Chinese living during the period. Due to persecution of educated and sophisticated people many schools were abolished, at least for a while, and due to that many middle-aged Chinese have been left without any education. This is one of the issues that is good to know but should be left out of discussions if doing business with Chinese.

China has been a closed country for a really long time and even though it started tardily to open up for the world, already over 40 years ago, Mao's ideology has got a great influence on current Chinese people, culture and environment. During Mao Zedong's time, complete national equality was highly emphasized and no one was supposed to have more than the others. However this ideology did not apply to the leaders of Communist Party who became very

wealthy. All in all, everything changed as Deng Xiaoping became the leader of communistic China. Deng Xiaoping's famous words: "To become rich is glorious" reflects well the change in the ideology. From business perspective this means two potential markets based on customer behavior: expensive luxury goods and cheap necessity goods. According to HS (Helsingin Sanomat, 2011) the amount of billionaires in China grew 14% in comparison with the previous year.

As already mentioned, China is a very vast country. Even though China's diversity of nature provides many raw materials for different kind of businesses, can China's sometimes even abrupt landscape be a barrier for developing a good infrastructure to the rural areas. From business point of view this means that choosing a location for the business is extremely important decision. Even though a specific location would provide good raw materials, which would lower the production costs, one has to take the transportation possibilities into consideration. For example, even though a company might save a great deal in production costs by choosing to establish a plant to somewhere in the continental China, if the infrastructure in the specific district would be poor, the transportation costs for the goods produced in the plant would be enormously high.

Different nature means different food, different food means different lifestyle whereas different lifestyle means differences in the culture. China is a versatile country (Jiang V, Chinese Culture, Shanghai University the College of International Exchange, 2010). Ming - Jer Chen wrote (2001, 178) that: "China is not just one market. There are substantial differences among regions, communities and generations and socioeconomic conditions are changing rapidly. Success in one area does not necessarily translate success in others." This also supports the fact that, from business perspective choosing a location is crucial decision.

After Economic reform China's regime has changed from central planning system towards more decentralized and thus provinces and municipalities have nowadays greatly authority. And as stated, this has also provided a chance for corruption, which is a serious problem in China currently (see also chapter 3.3.3

Bureaucracy and corruption in China). Even though the government has taken measures to clean house, corruption at the province and municipality level is still a big problem in China. Additionally, as China is divided to many provinces, municipalities and special administrative areas the regulations and customs vary among them. This implicates that knowledge in one area does not mean that it could be generalized to cover the whole China. From business perspective this means that if a company wants to internationalize to China the fact that the help provider's office (whether it is a public sector or private sector service) would be in that specific region brings additional value and know – how on that specific region's business environment.

Indeed, it can be argued that there are many Finnish public sector services in China. Despite the variation of services available, the services were centralized to only 5 cities in China:

- Shanghai, where there are offices of FinNode, Tekes, Finpro, Consulate General, FinChi, Finnish Environment Cluster for China and Finnish Business Council
- Beijing, where there are offices of Tekes, Finpro, Embassy of Finland and Finish Business Council
- Guangzhou, where there are offices of Finpro and Finish Business Council
- Shenzhen, where FinChi has got an office
- Hong Kong, where there is Finpro's office

And as has been stated many times; China is a vast country with area of 9,6 million km², population with more than 1,3 billion and with 23 administrative areas it can be argued that China is enormous. Additionally as the regulations and culture vary between the provinces the whole China cannot be covered from one city and thus the more there are help and assistance available the easier it is for Finnish businesses to internationalize to China and make the right location decision.

It can be argued that there are many differences between Chinese and Finnish people way of thinking, attitude and cultures. This implicates that to understand Chinese people and their behavior a Finn should review Chinese culture and the teachings of Confucius, as it formulates the base for guanxi and mianzi. Adaptation, patience and reciprocal understanding are essential in doing business between Finland and China. The differences in the results of Hofstede's cultural dimensions (chapter 3.4.1 Concept of culture and national culture, figure 3 and the analysis) also implicates why Finnish SMEs need help when internationalizing to China.

6 RESEARCH METHODS

6.1 Literature part

The literature part of the study follows qualitative research methods by getting familiar with the topic or phenomenon; *China as a business environment*. By choosing to follow qualitative study in this research the author has had to read several books, scientific articles, journals and studies about China in order to be able to understand and present the phenomenon properly to readers.

Reliability, validity and limitations

Due to the fact that the data used in this paragraph is based on both secondary data such as books, journals, newspapers etc. and primary data such as reports, thesis and scientific articles, the reliability can be contested. It cannot be argued that the researchers and authors of the materials used in this study were totally objective nor that they based their studies on reliable sources. The author of this thesis has tried to look for trustful and various sources of information in order to maximize the reliability of this research.

This research uses also few comparatively old sources, which is explained and justified as follows: According to Geert Hofstede's cultural onion, culture consists of three layers (see also chapter 3.4.1 Concept of culture and national culture). In the core of the culture are values, which do not change much even when the time goes by (Word Press 2012). Therefore it is interesting and essential to know about country's history even if it would be out-of-date but it still has got a great influence on the current culture we know today.

The validity of the data used in this paragraph is high due to the fact that all the materials used are about China's past – facts. This means that the validity of the data is challenging to question.

6.2 Case – Tianjin

Research methods used in the case study “Turku – Tianjin project” were mixed methods. The study uses both quantitative and qualitative research methods’ best features in order to receive as much information as possible, to be able to make conclusions whether the Tianjin – office is essential or not.

6.2.1 Data collection

Due to the fact that the study uses mixed methods the data for the study was collected via questionnaires and interviews, thus both quantitative and qualitative methods of data collection were used.

The questionnaires were directed to small- and medium-sized companies from Turku and Southwest Finland region and interviews and / or second questionnaires were addressed to small – and medium – sized companies from Turku and Southwest Finland region which were interested in internationalizing to China, Tianjin based on first surveys’ results.

In order to maximize the number of respondents the questionnaires and interviews were in Finnish. It was estimated that English language could have had a negative influence on the number of responses among the Finnish companies. (Saunders etc. 2007, 389 – 391.)

6.2.2 Questionnaire

The target group: Small – and medium – sized companies from Turku and Southwest Finland region which were interested in internationalization, especially internationalizing to China, Tianjin.

Due to the fact that the target group’s size, this research was addressed to, was unspecified and there was no valid previous information about the number of the target group, it had to be first researched. In this research a questionnaire

called “China as an internationalization destination for SMEs from Turku and Southwest Finland region”, was sent to a sample of Turku and Southwest Finland region SMEs to find out the size of the target group – how many businesses from Turku and Southwest Finland region were interested in internationalizing to China, Tianjin?

The total number of companies in Southwest Finland district which belong to *Varsinais – Suomen Yrittäjät ry* was 8800 in year 2012 (*Varsinais-Suomen Yrittäjät*, 2012). Indeed not every enterprise is a member of *Varsinais – Suomen Yrittäjät ry*, according to *Suomen Kaupunkiopas* there are approximately 27 778 enterprises in Turku and Southwest Finland region (*Suomen Kaupunkiopas*, consulted, 2012). However there was no information available which would have provided the answer to the question; how many of these 27 778 companies are SMEs? Considering the fact that there was no mailing list, which would have covered all 27 778 entrepreneurs in Southwest Finland region existing, sampling was used. The questionnaire was sent via *Rakennemuutostoitimisto* and it reached approximately 500 SMEs located in Turku and Southwest Finland region from which twelve companies answered to.

Due to niche target group it was decided that even though the main target group of this study consists of companies willing to internationalize to China, Tianjin, all the responses received through first questionnaire were taken into consideration. The title of the first survey “China as an internationalization destination for SMEs from Turku and Southwest Finland region” already eliminated most of the companies which were not interested in internationalizing to China. However from the twelve respondents ten were interested in internationalizing to China.

Please find enclosed to this thesis as an appendix 1 the first questionnaire.

6.2.3 Interviews

After finding and specifying the target group, companies which answered to the first survey were invited to an interview in order to receive more in-depth infor-

mation. Due to low answer percentage in the first questionnaire, every respondent company was invited to the interview and no random sampling was done among the respondents. The ones who were willing to participate to the interview were interviewed and the rest of the enterprises received the interview by email in the form of questionnaire. Please see the second questionnaire / the base of the interview and the interviews in the appendix (see appendix 2 and 3).

The interview was a mix of a semi-structured and unstructured interview. A planned questionnaire with answering options to some of the questions was used as a base for the interview in order to ensure that all the necessary questions would be answered. In addition to the planned ones, more questions were presented for the interviewee based on the discussion between the interviewee and the interviewer. All the interviews were recorded in order to maximize the amount of information received. This way the researcher was able utilize all the answers and make straight quotes. However recording might have had a slight influence on the quality and reliability of the answers and this has to be taken into consideration when analyzing the answers from the interviews. (Saunders etc. 2007, 393 – 394.)

The added value the interviews brought to this study, in comparison to only using questionnaires, was that every question was answered and that in every question there was the possibility for the respondent to specify his / her answer. Due to the fact that the interview was semi – structured / unstructured, the researcher was able to use the base of the interview as a questionnaire for the rest of the target group's companies which were not able to participate to the interviews. (Saunders etc. 2007, 393 – 394.)

The questionnaires were sent on 5th of March 2012 and the interviews took place in week 16 and 17 in 2012.

6.2.4 Reliability, validity and limitations

Due to the fact that there was no valid previous information available about the target group's size the researcher had to first specify that. Hypothetically think-

ing, even if there would have been previous information about the target group's size it most likely would not have been valid unless the research would have been based on data collected in 2012. The internationalization destination interest of a company may change rapidly for example due to changes in company's and country's economic situation, changes in market and in political situation of country. Thus it was inevitable to research the current target group's size which was the most challenging part of the research taken the resources of a student into account. Considering the fact that according to Suomen Kaupunkiopas (2012) there are approximately 27 778 enterprises in Turku and Southwest Finland region, but there is no information available how many of these companies are small – and medium – sized enterprises. Hypothetically, even if the number of SMEs in Turku and Southwest Finland region would be in general awareness and if the researcher would have sent the questionnaire to all of the enterprises, she could not use the number to calculate the confidentiality of the research. Based on researcher's own observations* as well as research (the researcher lives in Turku) a big part of the Turku and Southwest Finland region SMEs are hairdressers 1104, kebab restaurants and small – sized restaurants 449, and small cafes 337 which most likely will not internationalize to China (Yrityso-pas 2012). This means that even if the questionnaire "China as an internationalization destination" would have been sent to every SME in Turku and Southwest Finland region it could be assumed that the answer percentage would have been notable low due to the fact that a significant part of the SMEs are mainly doing business domestically and locally and not even willing to internationalize anywhere.

In this study the questionnaire was sent via *Rakennemuutostoimisto* and it reached approximately 500 companies from which twelve enterprises gave their answers. As mentioned earlier the first survey's objective was to specify the size of the target group. With sample group size of 500 SMEs from Turku and Southwest Finland region the target group size became 12 which is really a niche group. The result of the target group size indicates also other issues which will be presented later on in the chapter "findings".

The reliability of this study can be put into perspectives, due to the fact that if the same study would be done again after few years, the findings might vary a lot. The fast economic growth of China may have ended, the laboring costs in China may have risen, the price of the raw materials may have risen and the political situation of China might be unstable. These mentioned issues are all variables which have influence on enterprise's interest to internationalize to China. This study researches the current situation and the current interest of Turku and Southwest Finland region SMEs to internationalize to China. After few years the situation could be very different and the findings of this study might not be valid anymore and thus the reliability is not high.

However the validity of the research is high. The data used in this research is all primary data which the researcher has gathered through questionnaires and interviews. The researcher is not an employee in Turku Region Development Centre, which makes her objective towards the research and thus the validity of the information is really high. However it needs to be recognized that by sending a questionnaire the answering situation cannot be monitored, controlled or observed, which basically gives the respondent the change to not to tell the truth. The researcher has tried to maximize the validity of the research is maximized by using both questionnaires and interviews.

The fact that the target group was specified with a questionnaire has to be taken into consideration when considering the reliability of the research. It is in common awareness that the answering percentage of a questionnaire is usually relatively low. There are many factors which have a negative influence on the answering such as frustration of receiving many questionnaires, time, convenience, benefit etc. This means that also the target group of this study could be larger than argued <12.

7 CASE: TURKU – TANJIN PROJECT

7.1 Tianjin

Tianjin is one of the most important harbor cities in northern China and with its total area of 11 900 km², Tianjin is also largest coastal city in northern China. The harbor of Tianjin is ranked as 6th the whole worldwide. Tianjin is one of the four directly controlled municipalities in China and thus it is right under direct administration of central government. Tianjin is located in the northern China in a way that it has got border with Hebei province, Beijing municipality, Bohai gulf and Yellow Sea. (Kauhanen 1999, 90; Wikipedia 2012 b; Megumi Hayashi personal consultancy 2012)

Tianjin's population is approximately 13 million. It is one of the most fast growing areas in China. In 2011 Tianjin's GDP year – on – year increase was 16,4 %. (Tianjin investment information)

Tianjin Economic Development Area (TEDA) was established already in 1984 and it has been one of the most successful investment zones in China. It is currently located in the core of Tianjin Binhai New Area (TBNA). Some of the Finnish companies located in TEDA are Glaston, Metso Minerals, Tamfelt, Elester, Huhtamäki Polarcuo etc.

Tianjin Binhai New Area is considered as province level economic development area. TBNA consists of harbor, logistic center, cruiser terminal, steel and petrochemistry centers, Sino – Singapore EcoCity, Hi – Tech Industrial Park etc. (Hayashi & Kaislaniemi 2012.)

7.2 Background

The city of Turku and Tianjin are twinning cities. The objective of being twinning cities is to develop co-operation and new business opportunities between these

two mentioned areas. Turku Region Development Centre has done some research between November 2010 and January 2011 and came to the conclusion that the most concrete and significant economic development policy way to support Turku and Tianjin regions' economics, and especially SME industry, is to establish an office to Tianjin. (Hayashi and Kaislaniemi 2012, 1)

"Turku-Tianjin project" is a case study of a situation in where *Turku Region Development Centre* is planning to establish an office to China, Tianjin. The main business idea for the office is to help small- and medium- sized companies from Turku and Southwest Finland region with their internationalization process to China, Tianjin.

Still "under planning phase" – Tianjin office would do collaboration with Ministry for Foreign Affairs of Finland, Ministry of Employment and the Economy, Confederation of Finnish Industries and with consulting enterprises such as Finpro

The case study's main objective is to research the interest of having China, Tianjin as an internationalization destination from the Turku and Southwest Finland region's SMEs' point of view. Additionally the services of the possible Tianjin office and their meanings are researched by sending a questionnaire and interviewing a sample of SMEs from Turku and Southwest Finland region.

This paragraph strives for providing answers to following questions by using the "Turku – Tianjin project" case study as an example and by analyzing the answers received through the case study's research critically: In companies' opinion, what kind of public sector services are needed and / or are useful when internationalizing to China, in addition to current ones? Why there is demand for establishing the office to Tianjin, or is there any? Considering the fact that there are different Finnish public sector services in China and altogether there are offices in 5 cities, would the location of the Tianjin office bring some added value and if so, what? What public sector services could help SMEs from Turku and Southwest Finland region to internationalize to China, Tianjin and why there is a demand for the services? The latter question links the second and third paragraphs together. The second paragraph has built the base for this case study

and the case study provides supportive data for the question; “Why there is a demand for public sector services when Finnish SMEs are internationalizing to China?”

7.3 Findings

From approximately 500 companies twelve enterprises gave their answers to the first questionnaire. Thus the number of respondents was extremely low. This result indicates that the interest of SMEs from Turku and Southwest Finland region to internationalize to China, Tianjin is fractionally low. However it has to be taken into consideration that the number of the respondents is not equal to the interest of every SME in Turku and Southwest Finland region to internationalize to China. The number of the respondents is neither equal to this study's sampling group's ultimate interest to internationalize to China when taken into consideration variables such as time, convenience, benefit etc. which all have a negative influence to answering percentage of questionnaires.

As mentioned previously, the objective of this questionnaire was to specify the estimated target group of this study and gather information about the target group companies and thus the questions provided in the questionnaire were simple and as informative as possible.

In order to gather basic information about the target group first 4 questions were open questions. The answers for the first four questions provided information such as; company name, field of business, email address and company web-page address. There were no answering options for the first four questions in order to receive the most accurate answers.

7.3.1 Defining the size of the companies in question

In question number 5 (The size of your company?) the response alternatives were provided. The company size scales were in accordance with the definition

of the term SME, which is used in the research (see chapter 2. Internationalization -> definitions -> SME).

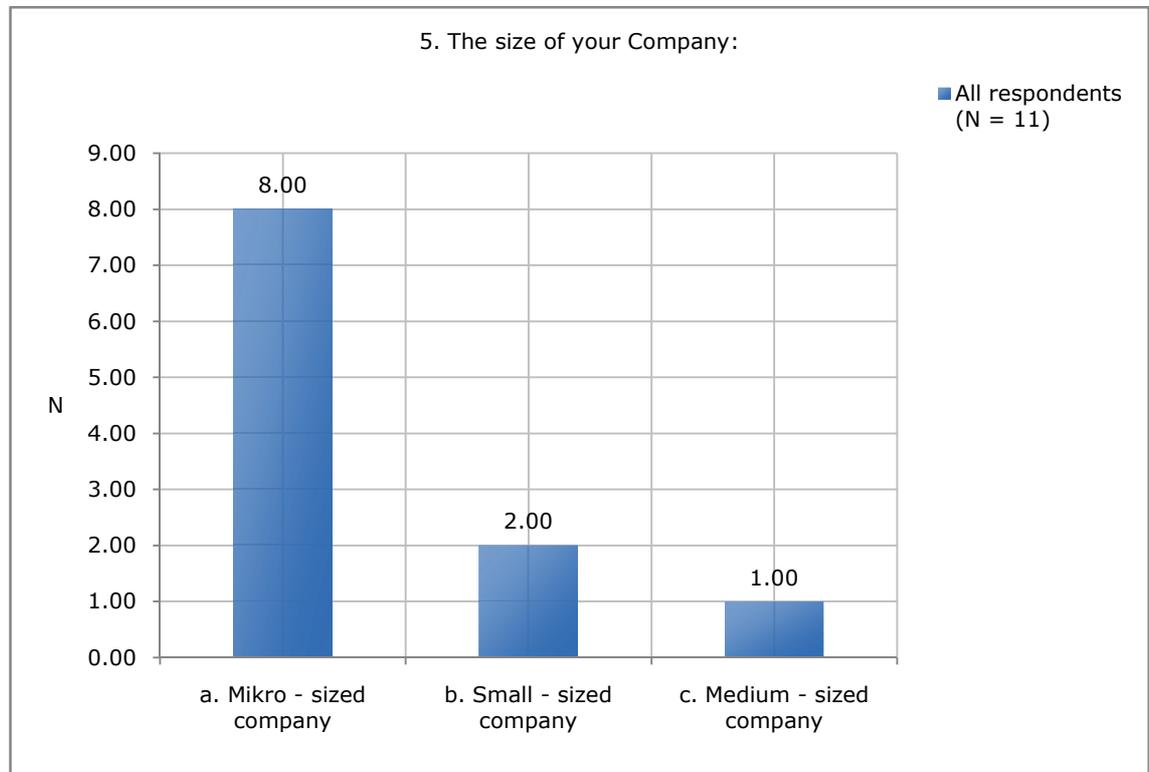


Table 2. Table of company sizes.

Questions number six and seven were both closed questions with only two answering options; “yes” and “no”, in order to provide the extreme opinion about the questions presented: “Is your company interested in internationalizing?” and “Is your company interested in internationalizing to China?”. Answering options “yes” and “no” were the most informative ones for these two questions.

7.3.2 Internationalization and market entry modes

Question number eight gathered information about companies' internationalization features by asking; what kind of internationalization your company is planning to do? The answer options were provided to this question in order to receive accurate information with right terms. The respondent was able to select all the suitable answer alternatives.

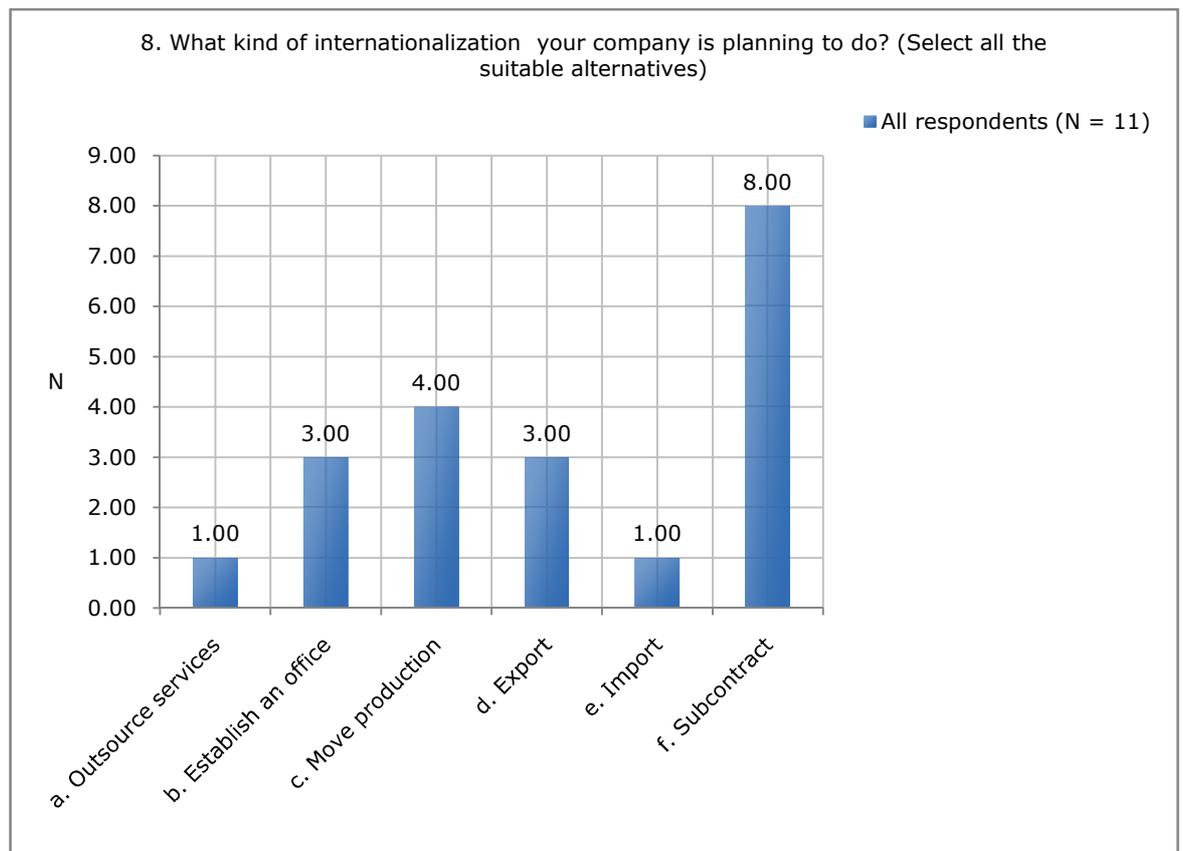


Table 3. Table of companies' internationalization features

The table 3 indicates that most of the companies, approximately 73% of the respondents, are planning subcontracting (answer option f) as their internationalization option. The second highest internationalization option among the respondents is moving the company's production process or part of it to China (answer option c) with approximately 36%.

7.3.3 Demand of public sector services among SMEs to internationalize

The results of question number eight correlate with results of question number twelve; Which following public sector services would assist your company's internationalization process to China?

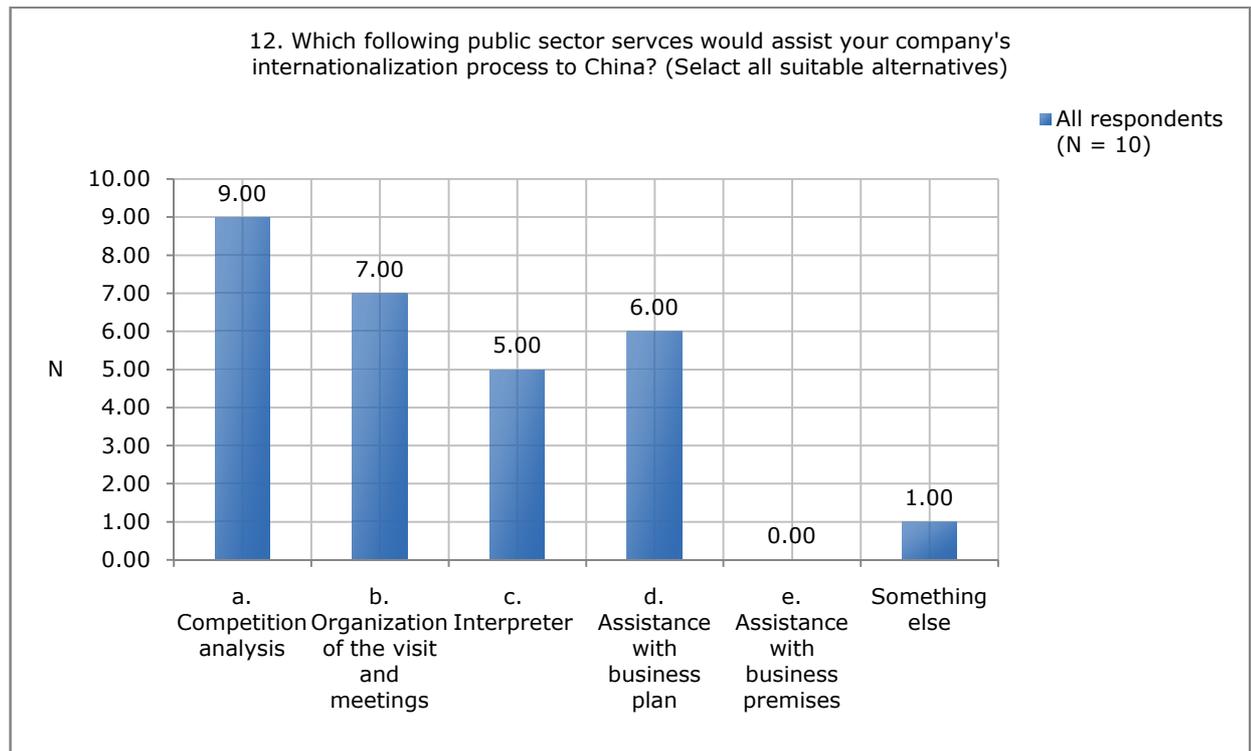


Table 4. Table of public sector services' demand.

Option a, competition analysis has the highest frequency among the respondents. 90% of the respondents think competition analysis would assist their company's internationalization process which is obvious when taken the circumstances that approximately 73% of the respondents are planning subcontracting into account. Competition analysis would assist these companies with their partner search essentially. Additional information about useful services was received:

1. It was suggested that the possible Tianjin office could provide also follow – up treatment, that the help would not focus only to the establishing period.

2. It was also suggested that the possible Tianjin office could provide same kind of services as FinChi, an office – hotel –service.
3. The third suggestion was that Tianjin office could be also proactive in the limits of resources. This means that Tianjin office could provide information for SMEs located in Turku and Southwest Finland region about the market trends in China and this way stimulate SMEs' interests towards China. This is currently also an official stand of Confederation of Finnish Industries (Elinkeinoelämän Keskusliitto 2012).

7.3.4 How to succeed in doing business on China?

A list of 10 essential “successful factors” was presented to the companies and they were asked to mention 3 most important ones. *Competitive prices, know – how on Chinese negotiation style and understanding of Chinese politics* had the highest frequencies. Additionally, *leadership control, right relationships and right entry strategy* were considered highly important in order to succeed in doing business in China.

7.3.5 Demand of Turku – Tianjin office and time – frame of internationalization

Due to the fact that the Tianjin-office would assist companies in their internationalization process despite in which stage of the process the company would be, it was crucial to ask; if these companies had already started their internationalization process or not? And what kind of schedule they had to internationalize?

The research indicates that 75% of the respondents had already started their internationalization process and from the table four you can see that option b “within 2-3 years” has got the highest frequency. Approximately 45% of the respondents are going to internationalize during next two or three years and 18% are going to internationalize during year 2012, which means that there are companies which the possible Tianjin office could assist.

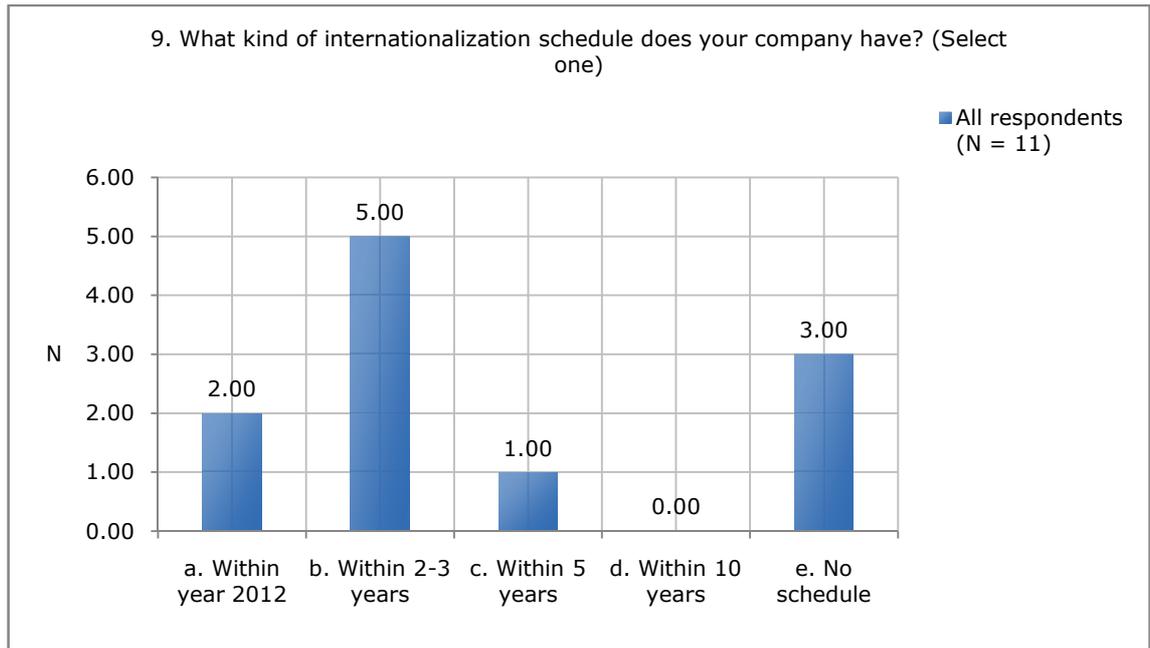


Table 5. Table of companies' internationalization schedule

7.3.6 Challenges of internationalization to China

In order for the possible Tianjin office to serve Turku and Southwest Finland SMEs in the best possible way the respondents were asked; Which of the following factors have had a challenging influence on your company's internationalization process? Based on SWOT analysis, challenges or threats can be modified to opportunities. (http://www.oph.fi/saadokset_ja_ohjeet/laadunhallinnan_tuki/wbl-toi/menetelmia_ja_tyovalineita/swot-analyysi, consulted 21.5.2012) If you put the external challenging factors which can be seen also as threats for the respondents in their internationalization process into perspectives and look it from the Tianjin – office point of view, you will see that these challenging factors are marketing opportunities for Tianjin – office. If Tianjin – office would provide services focusing on the “challenging factors”, based on this research, it would have a great demand among the respondents (see table 5.)

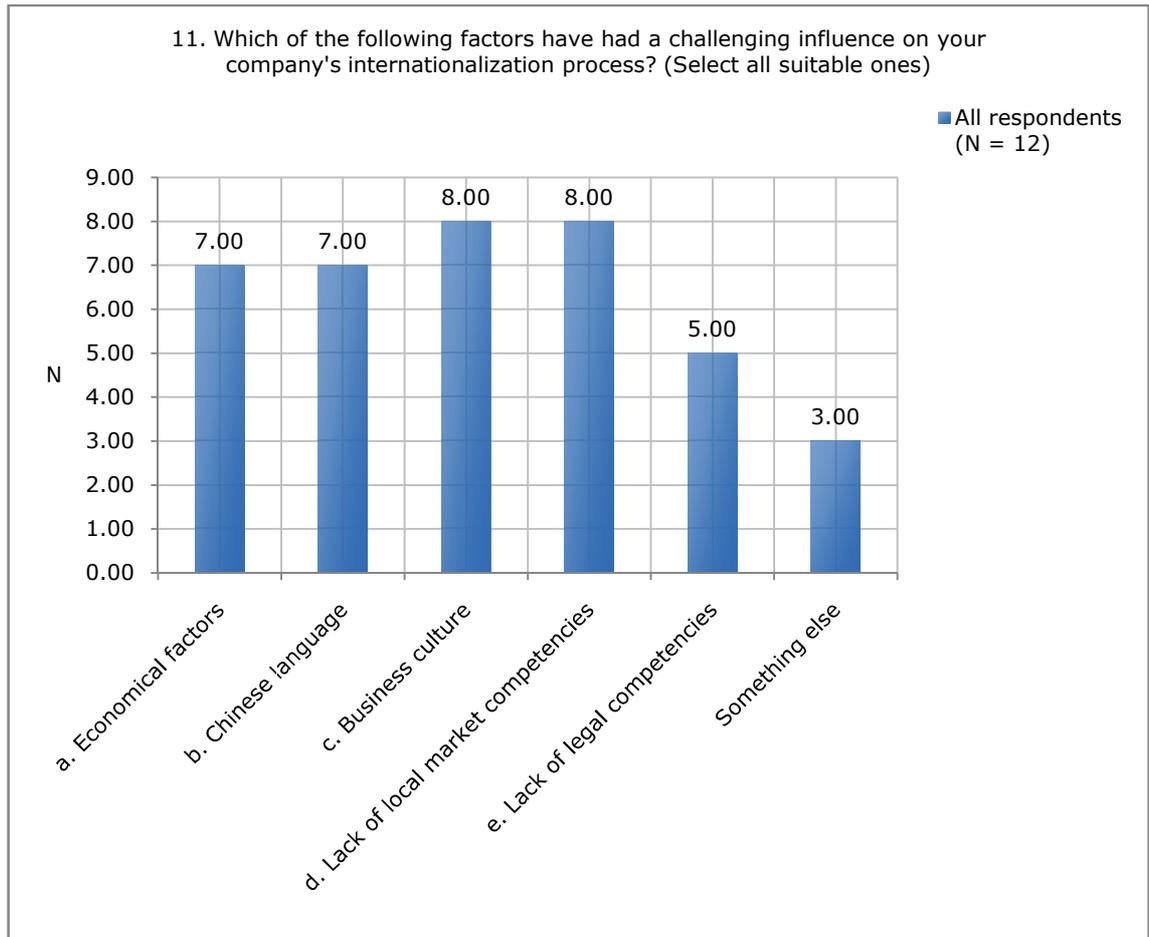


Table 6. Possible challenges of internationalization to China

Based on table 6, it would be recommendable for Tianjin – office to provide services concentrating to option d “local market competencies” and to option c “business culture” to ensure demand among the SMEs. It has to be also be also mentioned that 90% of the respondents had already previous experience about international business which indicates that these “challenging factors” are also challenges for experienced companies which supports the high demand of the mentioned services.

The open answer option d, “something else”, received a homogenous answer: “general uncertainty”. This is quite interesting answer when considering it from Johanson’s and Vahlne’s Uppsala model theory’s point of view (see chapter 2.4.1 Uppsala model). The model argues that the two factors behind the incremental nature of international process are 1. lack of market knowledge and 2.

uncertainty in the decision processes. In this case 90% of the respondents had previous experience on international business, which according to Uppsala model state and change aspect increases the market knowledge, which leads to greater foreign market commitment. Additionally all of these companies are currently planning or interested to internationalize to China, which according to the Uppsala model refers to greater physical distance in market commitment. The results indicate that some of the SMEs in Turku and Southwest Finland region may follow the internationalization process model when internationalizing their businesses. Although further information would be needed in order to argue that.

8 CONCLUSIONS

It can be argued that indeed help and assistance are needed when internationalizing to China. But what kind of help? How can Finnish public sector services help companies to overcome the barriers in the internationalization process? Unquestionably companies need help with understanding the cultural differences, planning market entry, establishing process, partner search etc. To that somebody might comment that those kind of services already exist. That Finnish public sector already provides those services. That is true, but where can you find information about the services available? All the organizations supporting internationalization of Finnish SMEs do have their own websites with own services and own prices. There are various information channels. Currently the information provided about the available services is extremely fragmentary from companies' point of view.

Additionally, when considering the “Cultural Onion” by Geert Hofstede (see chapter 3.4.1 Concept of Culture and National Culture) from China's point of view it can be seen how many matters affect the practices of doing business in China. It also explains why additional help in the internationalization process is needed. See figure 5 below.

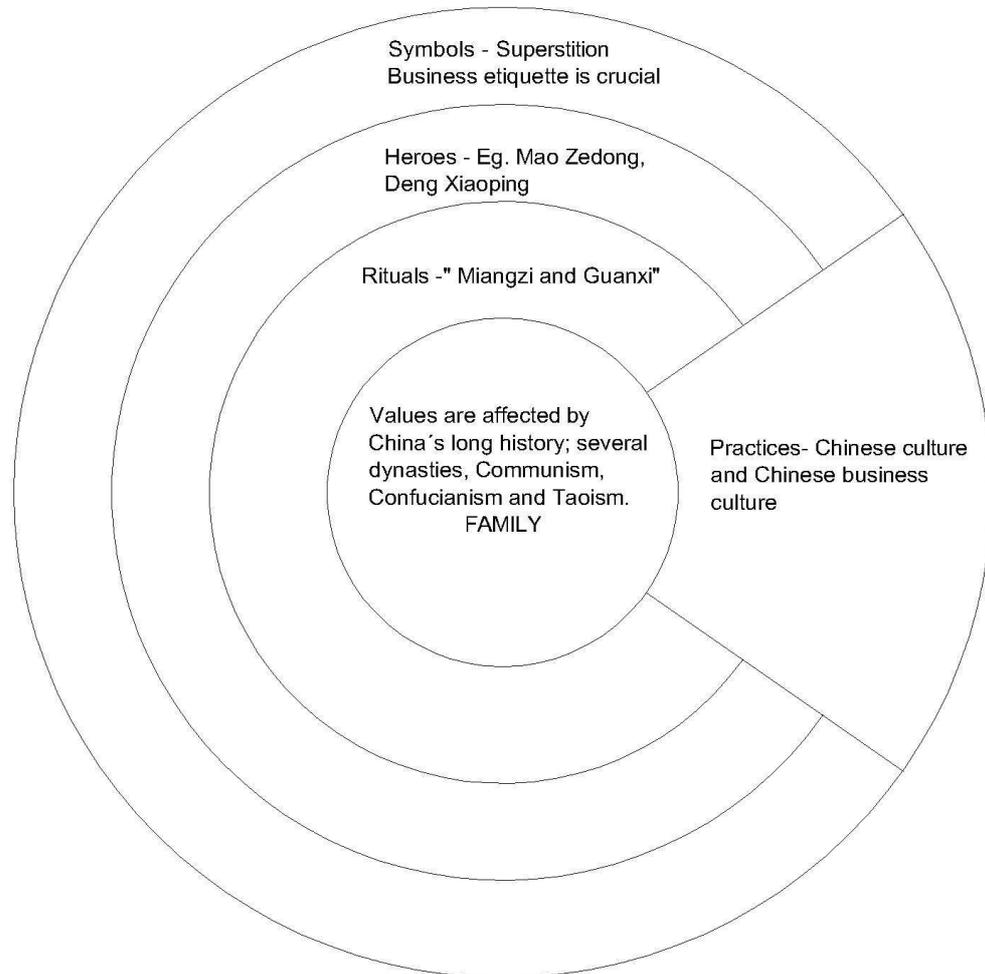


Figure 5 Geert Hofstede's Cultural Onion applied to China's culture by Satu Salmela

As can be seen in the figure 5 above, in addition to several influencing factors, there are also various layers which have got an influence on the Chinese culture and business culture. According to Hofstede, all these layers can be trained but the deeper in the "onion" you go the harder it is to change anything. (Geert Hofstede, 2012.) To put these words into practice it means that in order us to fully understand Chinese business culture you have to be familiar with China's past, present and future and stay open minded.

Secondly question is: where are the existing public sector services located? One important asset of these kind of services is the localization of the service

provider. Currently Finnish public sector's organizations, which support internationalization of Finnish SMEs, are located in 5 different cities in China. Therefore it can be stated that Turku Regional Development Center's office in Tianjin is justified. If the office would be planned to be established in for example Shanghai, where there are already 7 other Finnish public sector offices, it would be completely different situation. Tianjin as a location for a new public sector office is also justified by presenting the TEDA and TBNA.

However from a SME point of view it would be essential that the possible Tianjin office would do tight collaboration with other existing Finnish public sector service providers in China. This way it could be ensured that the companies would get best service available for their special needs. For example, if a company, which would be planning to internationalize to China, would address Tianjin office to ask for help. And if later on, after discussions and market research it would be found out that Shanghai would be better place for the particular company and its business, the Tianjin office would advise the company to contact for example Finpro, FinNode etc. located in Shanghai. This way competition configuration between the Finnish public sector service providers would be avoided which is an essentially important for companies' point of view.

As it is mentioned several times, China is a vast country with area of 9,6 million km², population with more than 1,3 billion and with 23 administrative areas China is enormous. Additionally as the regulations and culture vary between the provinces the whole China cannot be covered from one city. This implicates that the location of the Tianjin office would bring additional value, but only for the companies which would internationalize to Tianjin. Even though Turku and Tianjin are twinning cities and Tianjin's focus areas in TEDA and TBNA meet quite well the know – how of especially Turku and Southwest Finland region's companies, it should be taken into consideration that Tianjin is not necessarily always the best place in China for a company. After acknowledging this, the best possible service is guaranteed.

Based on the research it can be argued that currently there is demand for establishing an office to Tianjin. Therefore the establishment would be justified.

However the demand in the future cannot be forecasted. Therefore it cannot be stated whether the office would be necessary after 5 years. To be able to say whether the office would be necessary after 5 years further research should be done after one year of the first research. The interest of having China, Tianjin as an internationalization destination should be measured later again in order to say whether there is a continuum in the interest or is this just a boom.

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(<http://fi.wikipedia.org/wiki/Tianjin>)

Nyt tarkastelussa: Haluatko kansainvälistyä Kiinaan, Tianjiniin?

Nykyajan Kiina on houkutteleva kansainvälistymiskohde. Kuitenkin monesti suuret kulttuurierot, kiinan kieli ja tiedon puute ovat hidasteita yritysten kansainvälistymisprosessissa.

Turun seudun kehittämiskeskuksella on suunnitteilla perustaa toimisto Pohjois-Kiinan suurimpaansatamakaupunkiin Tianjiniin.

Tianjinin toimiston yksi tärkeimmistä toiminta-ajatuksista olisi tukea Turun ja Varsinais-Suomen alueen pieniä ja keskisuuria yrityksiä kansainvälistymisprosessissa Kiinaan, Tianjiniin.

Mistä on kyse: Tällä kyselyllä haluamme selvittää Turun ja Varsinais-Suomen alueen pienten ja keskisuurten yritysten Kiinaan kansainvälistymisen kiinnostuksen laajuutta.

Jokainen vastaus on tärkeä, jotta pystymme **palvelemaan juuri teidän yritystä** kansainvälistymisprosessinne tarpeissa Kiinan Tianjiniin.

Ystävällisin yhteistyöterveisin,

Megumi Hayashi,
Elinkeinoasiamies,
Turun seudun kehittämiskeskus

Satu Salmela
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Turun Ammattikorkeakoulu

Kaikki kyselyn vastaukset käsitellään luottamuksellisesti ja anonyymisti. Yrityksen nimeä ja yhteystietoja ei mainita kyselyn tulosten julkaisussa. Yhteystiedot ovat vain ja ainoastaan kyselyn tekijän käyttöön mahdollista jatkohaastattelupyyntöä varten.

1. Yrityksen nimi ja yhteystiedot?
2. Minkä alan yritys on kyseessä?
3. Kuinka suuri yrityksenne on?
 - a. Mikroyritys = yritys, joka työllistää alle 10 henkilöä ja jonka liikevaihto ja taseen loppusummat ovat joko alle tai yhtäsuuria kuin 2 miljoonaa euroa
 - b. Pienyritys = yritys, joka työllistää alle 50 henkilöä ja jonka liikevaihto ja taseen loppusummat ovat joko alle tai yhtä suuria kuin 10 miljoonaa euroa
 - c. Keskisuuri yritys = yritys joka työllistää alle 205 henkilöä, jonka liikevaihto on maksimissaan 50 miljoonaa euroa ja jonka taseen loppusumma on maksimissaan 43 miljoonaa euroa
4. Onko yrityksenne kiinnostunut kansainvälistymisestä?(Kyllä/Ei)
5. Onko yrityksenne kiinnostunut Kiinaan kansainvälistymisestä? (Kyllä/Ei)
6. Minkälaista kansainvälistymistä yrityksenne suunnittelee? (Valitse kaikki sopivat vaihtoehdot)
 - a. Palveluiden ulkoistamista
 - b. Toimiston perustamista
 - c. Tuotannon siirtämistä
 - d. Vientiä
 - e. Tuontia
 - f. Alihankintaa
7. Millä aikataululla yrityksenne aikoo kansainvälistyä Kiinaan? (Valitse sopivin vaihtoehto)
 - a. Vuoden 2012 aikana
 - b. 2-3 vuoden sisällä

- c. 5 vuoden sisällä
 - d. 10 vuoden sisällä
 - e. Ei aikataulua
8. Onko yrityksenne aloittanut kansainvälistymissuunnitelman ja / tai – prosessin jo? (Kyllä / Ei)
- 8.1. Jos vastasit ”Kyllä”, niin missä vaiheessa yrityksenne tällä hetkellä on?
9. Mitkä tekijät ovat vaikuttaneet mahdolliseen kansainvälistymisprosessiinne tai sen suunnitteluun haastavalla tavalla? (Valitse kaikki sopivat vaihtoehdot)
- a. Taloudelliset tekijät (esimerkiksi rahoituksen puute)
 - b. Kiinan kieli
 - c. Yrityskulttuuri (suuret eroavaisuudet esimerkiksi Suomen yrityskulttuuriin mm. näissä asioissa: suhteet, työmoraali, työnantajalojaalisuus, byrokraattisuus)
 - d. Paikallisen markkinatiedon tarve
 - e. Lainopillisen osaamisen puute
 - f. Muu, mikä?
10. Mitkä julkisen puolen palvelut voisivat edesauttaa yrityksenne kansainvälistymisprosessia? (Valitse kaikki sopivat vaihtoehdot)
- a. Kilpailija-analyysi, lista saman alan jo olemassa olevista yrityksistä
 - b. Vierailuohjelmien ja tapaamisten organisoiminen ja mahdollinen osallistuminen tarpeen mukaan
 - c. Tulkkauksen järjestäminen
 - d. Avustaminen yrityksen liiketoimintasuunnitelman kanssa
 - e. Apua toimitilojen löytämisessä
 - e. Muu: Mikä?

11. Onko yrityksenne toiminut aikaisemmin ulkomailla? (Kyllä / Ei)

11.1. Jos vastasit "Kyllä", niin missä maassa ja milloin?

"Kiitos vastauksistanne ja ajastanne!"

Hyvää kevättä toivottaen,

Megumi Hayashi,
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Questionnaire 2. ”Kiina kansainvälistymiskohteena II”

SUUNNITTEILLA: Turun Seudun Kehittämiskeskuksella on suunnitteilla toimiston perustaminen Kiinan Tianjiniin.

TAUSTATIETOA: Vielä suunnitteilla oleva toimisto toimisi Kiinassa European Chamber of Commerce in China sateenvarjon alla ja tekisi yhteistyötä muun muassa Ulkoasiainministeriön, Työ- ja elinkeinoministeriön, Elinkeinoelämän keskusliiton ja Finpron kanssa.

PÄÄMÄÄRÄ: Haastattelun / kyselyn tarkoituksena on selvittää millaisista julkisen puolen palveluista teidän yrityksellenne olisi hyötyä kansainvälistymisprosessissa Kiinaan, Tianjiniin.

Toimiston perustoiminta-ajatuksena on yrityslähtöisyys. Toimiston on tarkoitus **tukea** juuri Turun ja Varsinais-Suomen alueen pieniä ja keskisuuria yrityksiä, **teidän yritystänne, kansainvälistymisprosessissa Kiinaan, Tianjiniin.**

Mitä yrityksenne hyötyisi Tianjinin toimistosta? Entä miksi teidän kannattaa osallistua haastatteluun / vastata kyselyyn?

Tianjinin toimiston tarjoamat **palvelut yrityksellenne** ovat ainakin seuraavat:

- **Lyhyehkö markkinaselvitys** yrityksenne toimialasta
 - Lista Tianjinin paikallisista alan firmoista
- **Tapaamisten sopiminen, vierailuohjelman laatiminen**, vierailuille osallistuminen yhdessä yrittäjän kanssa
 - auto ja tulkkitarvittaessa käytössä
- Ennen Kiinaan lähtöä **analysointi** Turun päässä yrityskehityshenkilön kanssa
 - **go / no go – päätös**
- **Liiketoimintasuunnitelma** Finpron tai muun konsultin kanssa
- Liiketoimintasuunnitelman **toteutuksessa avustaminen** ja sen valvominen
- Vierastyöpiste jonka vieraat saa käyttää päiväksi tai sitten pariaksi viikoksi.

Kyselyyn vastaamalla / haastatteluun osallistumalla teillä on mahdollisuus vaikuttaa toimiston tarjoamiin palveluihin. Toimiston perustoiminta-ajatus on yrityslähtöinen toiminta, joten kaikki Tianjinin toimiston palvelut halutaan perustaa yritysten tarpeisiin.

Jotta toimiston tarjoamat palvelut palvelisivat parhaiten juuri teidän yritystänne, pyydämme teitä ystävällisesti vastaamaan kyselyyn / osallistumaan haastatteluun.

Ystävällisin yhteistyöterveisin,

Megumi Hayashi,
Elinkeinoasiamies,
Turun Seudun Kehittämiskeskus

Satu Salmela,
Opiskelija,
Turun Ammattikorkeakoulu

1. Kuinka monta kertaa olette käyneet Kiinassa kansainvälistymisprosessinne aikana ja sitä suunnitellessa?

Valitse sopivin vaihtoehto:

- a. 1-3
- b. 4-6
- c. 7-9
- d. yli 10 kertaa
- e. ei kertakaan

2. Oletteko harjoittaneet liiketoimintaa Kiinalaisten yritysten kanssa aiemmin?
Kyllä / Ei

2.1. Jos valitsit ”kyllä”, niin minkälaisesta liiketoiminnasta oli/on kyse ja milloin?

Avoim vastaus _____

3. Onko yrityksenne tarkoitus myydä tuotteita / palveluja Kiinassa?
Kyllä / Ei

4. Onko yrityksenne tarkoituksena tuottaa tuotteita / palveluja Kiinassa?
Kyllä / Ei

5. Mitä tuotteiden ja palvelujen tuottaminen ja myyminen edellyttävät Kiinassa?
Avoim vastaus _____

6. Onko yrityksenne perehtynyt alanne paikallisiin markkinoihin?
Kyllä / Ei

7. Pystyttekö nimeämään kaksi paikallista yrityksenne alan suurinta kilpailijaa?
Kyllä / Ei

7.1. Jos valitsit ”kyllä”, nimeä kaksi yrityksenne suurinta kilpailijaa:

Avoim vastaus _____

8. Hypoteettisesti ajatellen, jos yrityksenne perustaisi toimiston Kiinaan, rekrytoisitteko toimistollenne paikallisen johtajan?
Kyllä / Ei

9. Monet tekijät vaikuttavat pitkäkestoiseen liiketoiminnan menestykseen Kiinassa. Listaa alla olevat muuttujat (10kpl) tärkeysjärjestykseen.

- a. Oikean sijainnin valitseminen liiketoiminnalle
- b. Oikean markkina-avausstrategian valitseminen
- c. Kilpailukykyiset hinnat
- d. Kiinalaisiin neuvottelutapoihin perehtyminen
- e. Joustavuus liiketoiminnassa
- f. Hyvät ja oikeat suhteet kiinalaisten liiketoimitsijoiden kanssa
- g. Pitkäaikainen sitoutuminen Kiinan markkinoille
- h. Johtamisen kontrollointi
- i. Tuotteiden erikoistaminen / differentiointi ja laatu
- j. Kiinan politiikan ymmärtäminen

10. Missä yllämainituissa liiketoimintaan vaikuttavissa asioissa tarvitsitte eniten neuvoja / asiantuntijapalveluja? (Valitse 3 tärkeintä vaihtoehtoa)

11. Mitä muita julkisenpuolen palveluita pk-yritykset tarvitsevat kansainvälistyessään Kiinaan?
12. Vastaisiko Turun Seudun Kehittämiskeskuksen suunnitteilla oleva Tianjinin toimisto yrityksenne kansainvälistymisprosessin palvelujen tarpeeseen?
Kyllä / Ei
13. Oman yrityksenne kansainvälistymisprosessin kannalta, mitä palveluja haluaisitte lisäksi Tianjinin toimiston tarjoavan?
Avoim vastaus _____
14. Toisiko suunnitteilla olevan Tianjinin toimiston paikallisuus lisäarvoa palveluille?
Kyllä / Ei
- 14.1. *Ystävällisesti perustelelyhyesti:* _____