Finnish High Tech in China – A Study of Business Culture

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The objective of this thesis was to study the challenges caused by differences in Finnish and Chinese business cultures in the high technology industry. The study explains the main characteristics of the Chinese national and business cultures which every company operating in China will be dealing with, and offers examples of how these affect a high tech company.

The study was conducted as a case study of a Finnish high technology company running a project in China. The company encountered a Chinese enterprise that very strongly exhibited the qualities of stereotypical Chinese business culture, which gave an excellent opportunity for study. This thesis places special emphasis on high tech industry, but many of the issues discussed will be relevant for any company planning to run operations in China.

The theoretical framework explains the different aspects of Chinese business culture. In order to do this, first the concept of culture is explained, then the main characteristics of the Chinese national culture, and finally Chinese business culture itself, including how Chinese business culture has roots in the cultural values of Chinese national culture.

The results of the this thesis include findings of how a dominating aspect of Chinese business culture, a tendency for trial and error based problem solving, might be in conflict with the precision requirements of high technology industry. There are examples of problems it caused, and also some ideas on how the conflict might be overcome. The results also give ideas for future research concerning evolution of business culture to enable a wider range of industries to operate.

**Keywords**

business culture, high technology industry, China
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1 Introduction

China has been the fastest growing economy in the world for decades, and has already reached the position of the second biggest economy. The importance of trading with China is self-evident, but China’s unique culture and business practices that differ from familiar Western practices continuously create challenges to be overcome.

From the viewpoint of Western companies, China is changing. There has been talk in the recent years of the so-called China-craze fading, with many companies rethinking the idea of moving basic manufacturing to China, in a large part due to the difficulty of coping with the cultural differences. However, a new lucrative opportunity is opening fast. The main weakness of the Chinese economic growth is its dependency on basic manufacturing and the lack of utilization of high technology. The Chinese themselves are very aware of the issue and are sparing no expense in resolving the issue. For example, the newly sworn in Chinese government declared the shifting of the economy towards more advanced manufacturing processes to be a major priority for the next decade. In the current situation the Chinese are willing to pay very well for Western technical know-how.

The importance of cultural understanding raisers to a new level with technology transfer projects. They involve communicating complex ideas on processes that have a very small margin of error. Misunderstandings that would have resulted in lower efficiency in simpler manufacturing co-operations can easily completely jam advanced projects. Also, the traditional form of Western-Chinese cooperation has been for the Western company to run production plant in China or to deal with Chinese subsidiaries, making it possible for them to force the use of Western practices on the Chinese working. The function of inter-cultural issues has been to lessen the inefficiency caused by the Chinese working in a culture strange for them. Technology transfer projects are by nature more equal partnerships, where it might be impossible for either side to enforce their own ways, making finding of operating practices truly acceptable to both sides critical.
Another important thing to keep in mind is that since this kind of business is considered important by the government of China, companies must be prepared to deal with political issues directly or indirectly.

### 1.1 Thesis objectives

The goal of this thesis is to identify and explain what kinds of cultural differences might become issues when Finnish or other Western companies operate in China, specifically in consulting in high technology field, how to reduce their effect, and to help companies to focus on relevant cultural issues.

The thesis is based on a case study of a Finnish high technology company involved in a project to prepare and run a high technology manufacturing plant in China in cooperation with a Chinese company. The company will remain anonymous due to the sensitiveness of the Chinese high technology field.

The research problem is: What are the main challenges created by Chinese business culture for Finnish high technology companies operating in China?

In order to solve the main problem, the following questions should be answered:

1. What does culture as a concept mean?
2. What are cultural dimensions?
3. What are the characteristics of Chinese business culture?

The answers to the questions are sought through several deep interviews with the leadership of the Finnish company, each with decades of experience in high technology field and technology transfers to other countries. The project of this case involved three years of close contact and cooperation with the Chinese company. Also part of the empirical material is from my own observations. I have four years of experience in living in China, including being the only foreign employee in a Chinese company, and can speak Mandarin. I feel my experience was of great help both in having meaningful interviews and in analyzing the results.
1.2 Theoretical Framework and Structure of the Thesis

The theoretical framework of the study aims to explain Chinese business culture in general. In order to get there, it begins with the definition of culture and its different aspects, and then moves to describe Chinese national culture.

The national culture is largely explained through Hofstede’s theory of cultural value dimensions. I feel that Hofstede’s work is invaluable to understand cultural differences. Many things I experienced while living in China I could not explain start to make sense when looked through Hofstede’s dimensions. Business culture is then explained by literature describing business culture as business practices developed upon cultural value dimensions.

The empirical part describes the results gained from the interviews about the issues raised in the theory.
2 Definition of Culture

Everyone follows certain patterns in his thinking and feeling that he has acquired through learning and assimilation from his social environment, such as family, school, workplace and overall living community. Since the environments in which different people have grown differ from one another, because of different situations they have evolved in or having different functions, the thinking patterns people learn from them also differ. These differences are what is known as culture in the broad sense of the word. (Hofstede 2010, 4.)

In short, when a group of people share more or less homogenous thinking patterns that is different from other groups’, these people form a culture (Hofstede 2010, 6). Or in other words, culture is ”the sum of total beliefs, rules, techniques, institutions and artifacts that define a human population.” (Rugman 2009, 131.)

The effects culture has on thinking are often not consciously recognized by the people doing the thinking, and is more comprised of ”less conscious conventions and taboos” (Jacques 1952, 251).

Every group of people creates a culture. Creating a set of rules of appropriate behavior within the group is in fact a precondition for a group to exist. (Hofstede 2010, 12) Thus the first culture a person is a part of is his family culture, and then school culture and so on. Every level of association has a cultural dimension. Since this thesis studies a Chinese company from a Finnish perspective, the relevant levels of culture are the national culture of China and the corporate culture of the company at hand.
2.1 Cultural Values and Practices

The cultural differences can be seen in many ways. Hofstede (2010, 7) categorizes them into symbols, heroes, rituals and values. Symbols (words and gestures etc. whose meaning is only recognized by those sharing the same culture,) heroes (persons who possess characteristics highly valued in the culture) and rituals (collective activities that are considered socially essential) are called practices. Values mean feelings on what state of affairs is preferable, and a person's personal values are partly based on them.

Since practices are what people actually do or say, they are easy for an outsider to see. Values on the other hand are hidden and must be interpreted from actions. However the meanings of the practices only exist in the context of their culture (Hofstede 2010, 9), and therefore the core values must be understood in order to relate to the practices in any benefactory way.

Hall describes this in his iceberg model (1976), where the consciously learned and superficial practices are the easily seen tip, but the core of a culture lies deeper out of view (see figure 1). Any meaningful interaction with a culture must happen with the core. That, however, is difficult, because according to him, the only way to learn the internal culture is to actively participate in it.
Figure 1. Illustration of Hall’s iceberg model, where the part above the surface represents cultural practices visible to all, and the submerged part represents the underlying cultural values (Arlt 2013)

Plafker (2007, 87) talks about “the Big Stuff” and “the Small Stuff” of Chinese business etiquette, and it is basically the difference between practices that are just habits and practices that have a foundation in values. No one really minds if a foreigner fails to escort a guest all the way out of the building when he is leaving, but if he, even due to ignorance, makes someone to lose face or treats a subordinate as someone with power while the superior is present, it is not easily forgiven. Although he remarks that as the small stuff are not expected from a foreigner, mastering them can make a bigger impression than expected.
In my personal experience of living in China for four years, I also felt heavily the division between practices and values. The many guide books I read about how to behave around Chinese people mostly dealt with how to mimic their rituals and what specific words to use in certain situations. For example a common reminder for business situations is to remember that when a Chinese person gives his business card it must be received with two hands, in order to show respect for his title and social position. Pretty soon I found out that these things are not so important. I cannot think of a single instance where this caused any real trouble. It is of course basic manners to try to follow, or at least avoid conflicting, the customs of locals. But as long as you make some sort of effort, the Chinese always understood that a foreigner cannot know all their habits. In fact, since the Chinese think in a group-based, or collective, way, they more than us tend to think that social rules are an internal matter of a group and not universal, so a foreigner is not even really expected to follow Chinese habits.

What caused the problems for me was following different values than other people. That easily causes people not to understand each other's motives, and that causes distrust and other issues that can destroy cooperation. But I never met a Chinese businessman who would be so irrational as to throw away a good business deal because a foreigner would receive his business card in a wrong way.

An example of where the lack of distinction between values and practices results in bad advice is a CNN article on business tips for China by Kermeliotis (2011). It says that the Chinese are pragmatic people and “they’ll do business with you no matter whether you can hold chopsticks or not,” and that it is nice but not necessary to impress the locals by “knowledge of local customs, acknowledging hierarchy, offering gifts, addressing people by their designation -- especially when dealing with state representatives -- and appreciating the food.” Acknowledging hierarchy has no place in that list. Power hierarchies are a major value issue in Chinese culture (see page 12), and the Chinese will always consider maintaining them more important than profit from a business deal. Acknowledging it cannot be treated with the same importance than appreciating food.
Without an outside force or a dedicated inside campaign to change culture, culture reproduces itself. Whether a culture can really be purposefully changed at all depends on which parts of the culture are important for the change. In short, practices can be changed, values cannot. (Hofstede 2010, 10.)

Cultural practices can change fast. New words, especially jargon, often appear or are copied from another culture, and so on. Practices are learned on a more conscious level, and since everyone can see them, they are evaluated a lot, so they are relatively easy to change by purpose. This creates the image some have that different culture are disappearing from the world and being replaced by a single world culture. What is more hidden is that, since the meaning of the practices is defined in the context of the culture, the practices copied from other cultures might have a completely new meaning in the new context. (Hofstede 2010, 8.)

Values on the other hand are more permanent. First of all a person develops his base values as a small child, even before he can understand speech, so it is difficult to control what is actually taught to him. The values are also not necessarily consciously thought about, so they are automatically taught to the new members of the culture. On a personal level, a person's individual values and personality is more or less built on his cultural base values, and therefore for them to change the whole personality would have to shift. (Hofstede 2010, 8.)

2.2 Organizational Culture

There is a big focus in business circles on a concept known as organizational, or corporate, culture. Organizational culture means the common ways by which its members have learned to think, feel and act. It is claimed that the “excellence” of an organization is heavily dependent on it. (Hofstede 2010, 47.)
Since national culture comes for a large part from the base values a person was acculturated to shortly after his birth, and is a big part of his whole personality, it is clear that organizational culture is something else, even though shared ways to think, feel and act are pretty much the definition of culture.

Organizational culture is instead mostly based on practices the organization operates on, making organizational culture more superficial. The roles of values versus practices are opposite in organizational culture of their roles in national culture. National cultures have people who follow different practices based on their age, socio-economic position and similar factors while sharing base values, while organizations tend to be composed of people with varied values following similar practices, imposed on them by the organization. (Hofstede 2010, 347.)

Values still play a role in organizational culture, since the practices are often affected by the personal values of the organization’s “heroes,” such as founders or important leaders. In effect, the heroes’ values can become members’ practices. (Hofstede 2010, 348.)

The distinction between value-based culture and practice-based culture has very important practical meaning, since values cannot be changed but practices to some extent can (Hofstede 2010, 9). Therefore, if the problems in inter-cultural cooperation between companies are more caused by different corporate practices, the solution might involve a change in the corporate cultures, but if they are due to different national values, the differences must be accepted and a way to work around them must be found.
2.3 Business Culture

Between national and organizational cultures can be found a layer called business culture. Guirdham (2009, 17) has defined business culture as “a set of business-related values, beliefs, attitudes, meanings and practices shared by a business community.”

Business culture is based on national cultural values, but is also influenced by practiced evolved in a business community. It is sort of a middle ground between national culture and organizational culture.

In terms of values versus practices, business culture falls in the middle, with both being about equally important. However, it is limited to values, attitudes, beliefs and practices involving business-related matters. Also, the practices derived from business culture are more subconscious and unitary compared to those coming from organizational culture, a businessman will not usually consciously think about the implications of business culture when making a decision. (Guirdham 2009, 17.)

Since cultural values are mostly determined by national culture, and they play a big role in business culture, it is obvious that business cultures are highly dependent on national culture. Therefore, a multinational corporation might have different branches operating under different business culture. In cases like this the practices from organizational culture become especially important, as they are needed to keep a sense of unity. (Hofstede 2010, 348.)

Business culture does not have a strong influence in all decisions made in a company. For example, business operations and consumer marketing are so dependent on outside influences that there is not much room for the more subconscious decisions affected by culture. According to Guirdham (2009, 18) the areas of business culture can be divided to ownership, financing and governance culture, organization and management culture, and strategy, including business-to-business relations. Since the kind of consultation studied by this thesis heavily involves organization and management and is a kind of business-to-business relation, it is clear that dealing with differences in business cultures is a very important area.
2.4 National Culture

The biggest group to which a person assimilates to on a cultural level is his society, a historically, organically developed form of social organization. Differences in culture of some societies seem like they go back thousands of years, even though they have been part of many nations during their long history. But now that we are living in the age of nation-states, the country of origin most of the time tells a lot about a person. (Hofstede 2010, 21, 83.)

National values are of course stereotypes, and don't tell nearly the whole truth about any single person. This is maybe even truer in China's case, being the size of Europe and having three times as many people, and having vast differences in the level of development and quality of life across the country. The Chinese themselves also have different stereotypes for example of the northern and southern Chinese.

Still, there are other things that draw a culture together, such as common language and religion (Rugman 2009, 132), and in these China is a homogenous country. Also the cultural studies of Hofstede and Trompenaars handle Hong Kong and Taiwan, both culturally Chinese, Taiwan in the north and Hong Kong south, as their own cases, and they are very similar with mainland China.

Lastly, my own experiences from living and studying in South, North, East and West China are that while there are differences, they are much smaller than between the different nations of Europe. So I feel that it can be easily said that Chinese people have a shared set of cultural base values.
3 Cultural Dimensions

There are many studies that have studied and mapped the national stereotypes the national characteristics of values. The two milestone studies conducted in a business environment are Hofstede's theory of five cultural dimensions and Trompensaaar's seven dimensions. (Rugman 2009, 137.)

Geert Hofstede has studied national cultures by comparing what are their positions on five base value dimensions. These dimensions are power distance, individualism, masculinity, uncertainty avoidance and long term orientation. All cultures contain aspects form both sides of each dimensions, the difference is how they are prioritized if they come in to conflict. Therefore the dimensions make it possible to compare cultures with each other, but they do not give absolute values. For this thesis the Chines culture is compared to the Finnish. Figure 2 shows Chinese culture to have high power distance, low individuality, high masculinity, low uncertainty avoidance and high long term orientation compared to Finnish culture. (Hofstede 2010, 30.)

Figure 2. Comparison of China and Finland on Hofstede’s cultural dimensions (Hofstede 2013)
3.1 Power Distance

Power distance index tells how unequal the distribution of power in the country is.

In large power distance countries, the emotional distance a subordinate feels towards a superior is large, and subordinates are often reluctant or even afraid to disagree with their leader. The superior’s role is to be either an autocrat or a paternalistic father-figure. In low power distance cultures the leaders are expected to rely on consultation with subordinates, creating interdependency between them and their leaders. In large power distance cultures the dependence works only in one direction, with the subordinates being dependent on guidance from their leaders. (Hofstede 2010, 61.)

Out of the 76 countries studied, the power distance in China is the twelfth largest. Finland's position is 68, or in other words is the ninth smallest. (Hofstede 2010, 58.)

The characteristics of large power distance cultures in relation to business include:

- Hierarchy reflects existential inequality between levels
- As much centralization as possible
- Subordinates expect to be told what to do
- Privileges and status symbols are normal and accepted

The high position of China means that the Chinese people tend to centralize power in their organizations heavily. The leadership prefers to make decisions on as many things as possible and giving responsibility to subordinates is avoided. What is sometimes a little difficult for people from the more equal Finnish culture to understand is that the Chinese subordinates have no problem with this, in fact they might feel uncomfortable being given responsibility in a certain area. (Hofstede 2010, 61, 76.)
Power distance in Chinese business culture differs from the stereotypical large power distance cultures when it comes to rapport between leadership and subordinates. Usually in large power distance cultures there is little personal relationship-building between hierarchy levels, and formal contract is used to achieve goals. In China the leadership is expected to build relationships, or guanxi, to their underlings, and to be open for their requests for personal favors. A superior who does not use his power to help his underlings is not viewed as worthy of the unquestionable loyalty and respect that leaders enjoy in high power distance cultures. (Earnhardt, 2009)

Another difference is that in large power distance cultures such as China the powerful are expected to make their power visible, through status symbols and shows of strength, and failure to do so might result in lack of respect from the subordinates. (Hofstede 2010, 77.)

3.2 Individualism versus Collectivism

Individualism dimension tells whether the people see social interactions as happening between individuals or between groups.

An important part for understanding the axis of individualism versus collectivism is the concept of moral circle. Moral circle is the group of people a person he feels he is a member of, and who he feels have the full moral rights and obligations. Moral circle is the reason why killing an enemy in war does not feel at all the same as committing a murder in one’s own society. It is the distinction between “us” and “them.” (Hofstede 2010, 13.)

In collectivist cultures, the borders of moral circle are stronger and more clearly defined than in individualist cultures.
In an individualist culture a person always identifies himself as the individual, whether he is dealing with members of his moral circle or not. In a collectivist society, a person identifies himself foremost as a part of the group he considers to be his moral circle, and when dealing with members of other groups, he feels more as representing his group than just himself. The “we” group is very distinct from the many “them” groups. (Hofstede 2010, 91.)

People in highly collectivist societies feel that their in-group has the right and the duty to impose strict moral rules to control how the members of the group act towards each other. Individuals are expected to put those rules and the advancement of their group’s interests over their own individual preferences, and to break the rules or showing other kinds of disloyalty is one of the worst things a person can do. (Hofstede 2010, 91) However, the rules are viewed to be an internal matter of a group. People from a collectivist culture often feel that they don’t have to be concerned over the rights of outsiders, as they should have their own systems to deal with their rules and morals. It also means that they do not feel outsiders have to follow their moral obligations, and often are not judgmental of outsiders acting in a way that would be strictly wrong in their own group. Of course, it also means they are not very receptive of judgment from outsiders based on rules that don’t exist in their group. (Hofstede 2010, 98.)

The rules are strict and loyalty essential for the members of moral circle in collectivist culture, but relations with outsiders are based on pragmatism.

In a clear conflict with collectivists’ strict separation of groups is the universalism of individualist culture, where the moral rights and obligations are seen as universal, and there is no such a big shift in moralism-pragmatism balance when crossing the borders of one’s moral circle.
The concept of “face” is bred in collectivist cultures. The Chinese speak of losing face as one of the worst things that can happen to them. Losing face can be described as happening “when the individual, either through his action or that of people related to him, fails to meet essential requirements placed upon him by virtue of the social position he occupies (Hofstede 2010, 110).” Face describes the proper relationship with one’s social environment, which is essential for people to be able to function as a part of a collectivist group.

Also related to face and therefore collectivism is the need to uphold harmony and avoid direct confrontations, since they tend to result in loss of face. (Hofstede 2010, 113.)

Out of the 76 countries studied, China has a shared position of 58-63 on individualism, in other words it is one of the most collective cultures. Finland has a position of 22. (Hofstede 2010, 96.)

Collective culture means that the Chinese people will put the interests of their group before their personal interests. However, with regards to employees, the important thing to keep in mind is that the group to which they identify is not necessarily the company. (Hofstede 201, 124.)

Earnhardt (2009) emphasizes the Chinese employees’ willingness to put the interests of their company or their project team ahead of their personal interests due to the collectivist culture. From my personal experiences, I would say that it is equally important to emphasize their total lack of loyalty in cases where they do not feel to be integrated to the company in-group. The loyalty issue feels to be very polarized compared to how it is in Western culture. If the Chinese employees are not loyal to the extent to be willing to make personal sacrifices, they might as well start to actively work against the interests of their employer. The many times I have encountered this, the people doing that did not seem to feel they were doing anything wrong, since the responsibility to integrate the employees is fully on the leadership.
3.3 Masculinity versus Femininity

Masculinity versus femininity tells how important are the traditionally masculine values of aggression, competition and success to the men grown in the culture. The women in all cultures are more inclined to value relationships, cooperation and quality of life, and in feminine cultures the men share the same values with women. (Hofstede 2010, 139.)

Out of the 76 countries studied, China has the tenth most masculine culture, while Finland is on the opposite side with a position of 68. (Hofstede 2010, 141.)

The relevant effects of a masculine culture on business area are:

- Management is decisive and aggressive
- Competition and winning are more important than cooperation
- Success and visible results are important

3.4 Uncertainty Avoidance

Uncertainty avoidance tells how important it is for the people to have rules and organized thinking in order to avoid vagueness and chaos. (Hofstede 2010, 189.) Notable from a business view is that uncertainty does not mean risks. Uncertainty avoiding people are completely willing to take risks as long as they know what the risks are. Uncertainty means a feeling of not knowing what is happening and what the future could bring. (Hofstede 2010, 197.)

Out of the 76 countries studied, China is the seventh most uncertainty accepting country, Finland being on position of 26. (Hofstede 2010, 192.)

Accepting uncertainty usually leads to less rules and standards in a company, and a feeling that they can be broken if they do not make sense. It also means that, since nothing is really certain anyway, the opinions of experts are not so highly valued, people preferring to make decisions based on common sense instead. It also makes people willing to learn and try new things. And it leads to more changes of employer and shorter service. (Hofstede 2010, 217.)
3.5 Long Term Orientation

Long term orientation measures how much emphasis is put on future rewards if opposed to present hardship. Hofstede (2010, 239) defines it as “the fostering of virtues oriented toward future reward.” It is a very important value axis, since it correlates with economic growth more than any other. (Hofstede 2010, 265.)

Such virtues include perseverance, thrift, ordering relationships by status and observing order and having a sense of shame. on the opposite, short term oriented, side are reciprocation of greetings, favors and gifts, respect for tradition, protecting one’s “face” and personal steadiness and stability. (Hofstede 2010, 237.)

Of the 93 countries studied, China scores as the fourth longest-term oriented country. Finland is at the middle with a position of 51. (Hofstede 2010, 256.)

China is a peculiar case in that while it scores on the extreme end of the scale, Chinese culture very strongly exhibits common characteristics of both long and short term orientated countries. Old ways of thinking and history are part of everyday life in China, which is usually typical only for short term orientated countries. Mooij explains this paradox by the fact that even though history and traditions are valued by the Chinese, they will be overridden by innovativeness and will to advance if they come in to conflict with development, unlike in short term orientated cultures. (Mooij 2010, 85.)

Some key effects long term orientation on business thinking are:
- Focus on market position instead of bottom line
- Importance of profits ten years from now instead of this year
- investment in lifelong personal networks
- If A is true, its opposite B can also be true

(Hofstede 2010, 251.)
Because of the high long term orientation of Chinese culture, it is important to have long-term goals and objectives in business proposals. These will get much more attention from the Chinese than short-term profit. (World Business Culture 2013.)
4 Chinese Business Culture

Guirdham’s study into Chinese business culture (2009, 33) found that it is distinguished by personal networks, hierarchy and deference and lack of planning. Personal networks is such a big issue in Chinese business culture that it will be discussed in the next chapter.

4.1 Deference and Hierarchy

According to Hofstede’s theory, China has a very large power distance culture, and it has clear implications on their business culture. China’s business culture is marked by overt signs of deference and always paying attention to rank and position. It is seen pervasively, from employees’ attitudes and wording of emails to their willingness to self-censor themselves around leaders. Such displays of deference can be seen positively as respect, and it allows the staff to execute leadership’s decisions well when their own opinions don’t get in the way. (Guirdham 2009, 33.)

Aside from the displays of deference, strong hierarchies are also very present where actual use of power is concerned. “In China, power wins every time (Guirdham 2009, 33).”

A particular feature of the Chinese business hierarchy is the importance of “the Chairman.” The Chairman might be an owner of the company or a government appointee in a state owned enterprise or a company with a lot of government supervision. In any case, the Chairman is the “elder” of the company who provides the vision and the long-term aspirations. Even though the CEO usually has more expertise on the business, it is still his job to please the Chairman. (Guirdham 2009, 34.)

One aspect of Chinese strict hierarchy is the centralization of all power. The leaders in Chinese businesses typically want to micromanage as many decisions in the company as possible, and are adverse to delegation. (Guirdham 2009, 42.)
4.2 Lack of Planning

China’s low uncertainty avoidance ranking in Hofstede’s value dimensions shows in business culture as an aversion to forward planning. “The future will change so why should I plan (Guirdham 2009, 40)” they say. Would-be entrepreneurs asking for financing usually have no business plan. The Chinese way of business can be described as trial and error. Chinese companies are often willing to spend relatively small amounts of resources to try an idea in practice, and only after having some practical experience think of whether the idea will work or not. Feasibility studies are made after the decision is made, to justify it. Sometimes the trial runs are seen as reckless risk-taking, with people seeming to make huge investments based on anecdotal information. (Guirdham 2009, 38, 40.)

4.3 Subcultures of Chinese Business Culture

An argument has been made that there are large enough differences in different kinds of businesses in China to divide Chinese business culture into three distinct subcultures:

1. Start-ups are built around a new idea. The founders get support from venture capitalists. They are very averse to forward planning, emphasizing flexibility. They are usually efficient compared to other Chinese businesses.

2. Private low technology companies compete on price. They are often family businesses, and power is shared to some extend between family members. For non-family staff, loyalty is considered more important than performance, but they are still excluded from decision making. Information flow from them to the owning family is one-directional.
3. The culture of state owned enterprises is described as “communist” culture. The leadership is government appointed, usually either a government official or a former military officer. The organizations are bureaucratic, power distance is large and emphasis is on strong vertical links within hierarchies. The large size of companies combined with centralized leadership and sometimes a military-style leadership, where decisions are expected to be executed, not thought about, leads to inefficiency, since all decisions must go to the top for approval, without the top leadership always having good information on the situation down the ladder.

The leadership of state owned enterprises might have political goals that are more important than profit, which should be taken into consideration by potential cooperation partners.

The importance of state owned enterprises in China’s economy is decreasing, but it should be noted that many of the formerly state owned companies have retained their business culture after privatization. Also, it might be difficult to know how much state control a specific company has, since there is a complex system of multiple layers of holding companies below government to muddle who exactly owns what. And the different layers of government in China have many ways to exert influence in nominally private companies.

(Guirdham 2009, 45-46, 121-122, 164)
5 Networks and Guanxi

Businesses, like everything else, in China operate on interpersonal level instead of inter-organizational. The Chinese word for relationship is guanxi, but the Chinese concept of guanxi goes deeper than our idea of relationship. Guirdham (2009, 34) says that guanxi is “deeper and wider and the phenomenon is a more sophisticated one – there is a structure of different kinds of relationships,” and “It means personal factors are put over business considerations.” Luo (2007, 2) explains that guanxi compared to Western idea of relationship is a carefully calculated science, the study and crafting of which is a common preoccupation for entrepreneurs, managers, officials and even college students. Guanxi is everywhere in Chinese society and plays a fundamental role in daily life.

Creating and maintaining guanxi involves the exchange of favors and gifts, the cultivation of personal relationships and networks of mutual dependence, and the manufacturing of obligation and indebtedness. It places emphasis on the binding power and emotional and ethical qualities of personal relationships. (Luo 2007, 4)
5.1 Principles of Guanxi

According to Luo (2007, 11), there are a few principles underlying guanxi:

- Guanxi is transferable, meaning a person can link two people he has guanxi with into the same network to exchange favors even if the two people did not know each other before.
- Guanxi is reciprocal, the favors must go both ways. If one does not return favors he will lose face.
- Guanxi is intangible. It is established with an expectation an unlimited exchange of favors.
- Guanxi is utilitarian, not emotional. It binds people through mutually beneficent exchanges. Guanxi relations that are no longer profitable are easily broken.
- Guanxi is contextual. What is expected or appropriate use of guanxi is completely context-specific. That is why cultivating guanxi is more an art than a science.
- Guanxi is long-term. Guanxi relationship is regarded as a kind of stock to be put away in good times and brought out in times of need. It is developed and reinforced through continuous, long-term association and interaction. Some guanxi relationships can exist over generations.
- Guanxi is personal. Guanxi has no group connotation, when it is used for example to foster business to business cooperation, the guanxi still exists between the members of the companies, not between the companies. If the person with the guanxi relationship leaves, the company will lose the guanxi.
Guanxi has been a part of Chinese culture for centuries, and it is thought to be a part of China’s Confucian legacy. According to Confucianism, a person is a social or relational being, and social order and stability depend on properly differentiated role relationships between individuals. Confucianism has five such relationships: prince-subject, father-son, older brother-younger brother, husband-wife and friend-friend. These relationships are the basis of Chinese social networks, and therefore must be considered when thinking of guanxi, and what is remarkable about them is that they are all superior-subject relationships except for the friend-friend. Friendship, however, is not a basis to build guanxi over. Rather, when guanxi is concerned, friendship relation can develop from an existing guanxi relationship. Friendship can strengthen and deepen a guanxi relationship to levels where position and counting of favors are no longer relevant. The forming of guanxi relationships need the stability brought by hierarchy. (Luo 2007, 6-7.)

5.2 Impersonal Relations

The importance of interpersonal relations in China means that people do might tend not to develop strong loyalty to the impersonal. Loyalty within a company is not to the company or to one’s own career, but to another person. If that person leaves, the employee might become demotivated. Also, in combination with the lack of regard for rules and plans that come from China’s low uncertainty avoidance, it might be difficult for the Chinese to follow impersonal instructions. “People don’t know how to follow the book, they are only used to following the instructions of an individual person.” (Guirdham 2009, 42.)

5.3 Guanxi and Negotiation

Interpersonal preference of the Chinese has a big impact on negotiations. Usually it is necessary to pave the way to the first negotiation, meaning that there might be a lot of meetings at first where nothing substantive is discussed, they only exist to build a relationship and trust. (Guirdham 2009, 41.)
The establishment of some level of relationship is a basic necessity for negotiations to take place, it doesn’t mean that the negotiations will be easy. The normal Chinese approach to a negotiation is win-lose, they seldom approach it as a win-win opportunity. This might a result of Chinese culture being a very masculine one, since as Hofstede wrote, in a highly masculine culture competition is important and winning might be more important than the concrete result. (Guirdham 2009, 41, Hofstede 2010, 155.)

How the deals negotiated are seen in China is also heavily influenced by the tendency to see everything in interpersonal terms. The content of the deal is not necessarily as important as the fact that there is a deal, and therefore a relationship, which can be modified according to future needs. The dislike for detailed future plans also works to that effect. It is common in China to alter the content of a contract after it has been signed. Contracts are only a guide to the relationships that actually count. (Guirdham 2009, 34.)

Changing contracts after signing of course presents significant risks. The obvious way to mitigate the risks is to have a good enough relationship. As a quote from Guirdham’s study says, “If you have a good relationship (and that’s a big “if”), the Chinese will not screw you to the extent that you lose everything. They look for good relations.” (Guirdham 2009, 41.)

5.4 Guanxi and Moral Circle

Hofstede notes (2010, 117) that focus on interpersonal relations goes together with having a collectivist culture. That is because the moral circle is such a big issue in a collectivist culture and the people need to have a way to control who is inside their circle. For the Chinese, guanxi clearly serves this purpose, building guanxi means taking someone inside one’s own moral circle. Someone who one does not have guanxi with is an outsider, and is not viewed as having same moral rights and obligations, making guanxi a must-have for any kind of deal where any mutual trust is required.
6 Research Method

This thesis is a case study on a project involving a Finnish company, specializing in design of both high technology equipment and the precise manufacturing processes to produce such equipment, being hired to consult a Chinese manufacturing company as a consult. The aim was to get a production line capable of producing a high technology product the Chinese had acquired the patent for running. The cooperation was supposed to be very deep and long term, as the technology the Chinese were interested in learning is very cutting edge, and it would take years to perfect the manufacturing process to the point where the output would be reliable. Additionally, the Finnish company would be of great help once the production was running to find customers through their contacts and market knowledge, as the product is so advanced that only a few potential customers would be able to utilize it. Simply put, the Chinese had the patent and funding, the Finnish had the expertise. Both parties needed each other.

The primary sources of empirical material for this thesis are the experiences and views of the leadership of the Finnish company. Therefore the research method used is qualitative. Qualitative method is well suited for the kind of study that has a holistic approach to the problem, and tries to find unexpected results rather than to test a theory or a hypothesis. Giving a lot of value to the subjective views of interviewees, and flexibility, both in collection of material as well as the overall research plan, are typical qualities of a qualitative research. (Hirsjärvi, Remes, Sajavaara 2009, 164.)

The original plan for this thesis was for me to be included in the Finnish company’s team and to be able to collect the empirical material first-hand in China. The Finnish company had in 2011 ran into cultural and language issues with the Chinese counterpart, and were willing to hire me to help with them, due to my experience of living in China for three years, my knowledge of the Chinese language and my business education. By early 2012, shortly before I was scheduled to go to China, the issues had soured the relationship between the parties to a point where bringing new personnel was no longer feasible. I found another work in China, and while I was there, the cooperation collapsed.
In the end, the empirical material this thesis is based on was collected in five several hour long discussions with the leadership of the Finnish company. Three of them were held in August 2011 to March 2012, to lay the groundwork of my inclusion into the team and based on which I started to collect the theoretical framework. The final two were held on May 15. and May 23., to discuss why the project had collapsed and what could be learned from the experience.
7 Interviews

The interviewees were three people from the leadership of the Finnish company or who otherwise were in close contact with the project. Each of them has decades of experience in high technology field and in technology transfers to many different countries, including many prior projects in China. The following text is based on the notes I made from the various meetings with the interviewees.

In the interviews it was soon agreed by all that the Chinese party of the case at hand is a very stereotypical Chinese company that follows the business culture theory almost to the letter. There were several themes I prepared for the interviews based on the theoretical framework. These were:

1. Guanxi, how it was built and what effects did it have
2. Communication
3. Lack of planning, how to instruct people who do not place much value on instructions

These are discussed below.

7.1 Guanxi

Having good relations is extremely important in every business venture in China. Interviewees had strong feelings that business should never be done with people you cannot trust, and in China whether you can trust someone is directly related to the closeness of the personal relationship, or guanxi, between the parties.
An interviewee explained that good relationships are necessary, because, due to some differences in the train of thought between Chinese and Westerners, there will always be some misunderstandings. Because of this, the doings of the Chinese partner should always be constantly monitored, and there should never be reliance on the assumption that there exists a complete mutual understanding. If the relationship works, the misunderstandings can always be talked through in good spirit. It was said that when the relationship is good, the Chinese will still alter the contents of contracts after signing and never pay on time, but they can be trusted to also keep their partners interests in mind when modifying contracts and to see the payments through at some point. There was no recollection of ever taking any credit losses with Chinese with who there was good relationship.

If there is no guanxi, the Chinese might alter the contracts to their own benefit at the partner’s expense, or suddenly decide to not pay the money they owe. The interviewees remarked that it sometimes seems like the Chinese do not necessarily even feel that cheating someone with no guanxi as morally wrong, and can even be proud of it sometimes. The only way in such a situation to be able to trust the partner is to have enough power that a conflict would hurt the other side too much. Obviously it is not a basis for long-term cooperation.

For the case of this thesis, a lot of effort was to build up guanxi. The interviewees told of a lot of social visits to China, paying visits to the Chinese company’s leader’s family festivals and introductions of each company’s leaders’ families to each other. The Chinese company played its part by being a generous host. I have heard it said that a businessman’s three most important skills to operate in China are to being able to sing a song at karaoke, smoking a pack of cigarettes in chain, hopefully not inhaling too much, and to be able to drink lots of strong liquor and vomiting it out in the toilet to be able to drink more. An interviewee said that these skills certainly got use with this case.
The interviewees explained that there were, however, some difficulties in establishing good relations with the Chinese party. There was a feeling that there just was not any kind of personal connection forming to the Chinese company’s leadership. It is impossible to tell what exactly caused the problem, since relationships are both parties’ responsibility and the Chinese side did not share their feelings. However, the interviewees felt a big reason to be that the Chinese company is a family enterprise at its core. It is owned by a family who keeps the company tightly in their grip, with leadership positions shared between family members. Also the non-family employees of the company were clearly outside of the family circle. The communication inside the company was one directional, with the family telling the rest of the staff what to do, they did not have input to the decision making and were not shared information on the company’s strategy or plans. It seemed as though for them the business relationships and family relationships are the same thing, and breaking into the family circle would be virtually impossible without marrying into the family. Marriage did not come up in this case, although an interviewee remembered the Chinese family to prominently display their daughters at some meetings when the issue came up, but such political marriages on this level of business are not rare in China. I have encountered cases where a Western businessman has married a Chinese woman in order to do business with her father. It gives some perspective on how important guanxi-building in China is.

On a more general note, an interviewee had a feeling that guanxi-based business culture harms Chinese businesses in high technology field. An important quality for anyone involved in the field is to be able to work with different kinds of personalities. An aspect of the Chinese relationship focus is that business operates on a people, not issue, basis, meaning that it is more important who do you work with than what do you work on. However, if the work requires highly specialized skills, it cannot be afforded to not work with someone who has the required skillset because of a lack of a personal connection.
The problems in the cooperation that could be attributed to guanxi-issues were lack of information sharing and sometimes too competitive attitude. Interviewees felt that when there were differences of opinion on how to proceed, it was sometimes difficult to solve the issue, because the discussions could degrade into contests of authority. Part of the feeling that the Chinese company viewed the Finnish company as a possible competition came from their unwillingness to share information. Everyone in involved in the interviews had observed that the Chinese seem to believe in the saying “knowledge is power.” The leadership commonly collects as much information as possible and is very careful about sharing it. In this case this tendency showed itself sometimes as the Chinese company’s unwillingness to share the background of why they viewed certain issues to be a problem, which made solving them difficult.

7.2 Communication

Communication problems were said to be common when doing projects in China. One interviewee said that generally speaking, bringing own trusted translators is a must, relying on translators provided by a Chinese company will often cause misunderstandings. He explained that Chinese translators often feel that it is their duty to act as guardians of the guanxi-relations between the parties, and alter the translation accordingly. While this can sometimes be a valuable service, it is a problem when the foreign party does not know when the message has been altered and thus cannot act accordingly. Other cause for trouble is that in a field such as high technology, the translator might not fully master the specific language required to communicate advanced concepts, maybe without himself realizing it, and again the parties would remain ignorant that there has been communication problems, so they cannot be even begun to be solved. Having the translations be completely controlled by just a one party also allows them to use the control of flow of information to be used as leverage if there is a conflict.
At the case at hand, a problem was the Chinese owning family’s reluctance to have outside translators present, apparently to maintain their own internal control of information. Interviewees told that communication was conducted through the members of the owning family who had some English skills. Their English level was not really good enough for the task, and also since English was not the native language of anyone from the Finnish company, there were some basic translation problems.

A bigger problem than basic language skills was however that the Finnish company felt that they could not know when the messages failed to go through. The interviewees told of cases when everything seemed to be in order, but later it turned out the Chinese company had apparently misunderstood something. This was also an aspect of the Chinese company sometimes withholding information seemingly on purpose. A common feeling was that after telling the Chinese something, they would talk among themselves until finally announcing that the issue was clear to them, but there was no way of knowing how correct their understanding was.

7.3 Lack of planning

The culture of trial and error and lack of concrete plans was very much alive in the Chinese company, which presented challenges when it came to instructing them to set the production line up. The interviewees described that when they presented long reaching plans to the Chinese, the Chinese only started to apply the first step, with little thought on how its execution would affect the later steps. For example, when the construction for the factory building began, there were plans that spelled out the requirements the machinery has for the building, but the Chinese response was that first they should concentrate on the building and when the time comes think about fitting the machinery inside. They seemed to be ready to basically tear down the building and build a new one if future problems warranted that. The problem, the interviewees explained, was that the machinery required for such manufacturing is so delicate that if installed in a factory that does not meet the standards, it can easily break. And the machinery was much more expensive than the building, so replacing that would be a problem.
The interviewees found out that an approach that worked was to observe the process the Chinese were making constantly and step in when they were about to commit a mistake. Every case had to be treated separately and needed a thorough explanation on why changes were necessary. The approach requires constant supervision and is time consuming, but can offer real benefit when ideas can be tested and found to be lacking without the time and expense of full-fledged trial runs.

An issue the interviewees had encountered related to both to lack of planning and the importance of personal relations was the Chinese employees’ reliance on personal supervision. This caused problems when the representatives of the Finnish company spent time in Finland, and there was virtually no progress made in China. The interviewees described that many times when they returned to China, the progress was stuck at exactly the same place where they had left it many weeks earlier. Giving instructions on what to do with them away did not work at all.

Trial and error operating style takes a lot of time to manage, but if one was willing to put time into it, it was possible to manage. And there are clearly benefits in trying new ideas in practice and being flexible. It however presented a bigger problem than reliance on supervision. The interviewees strongly felt that trial and error culture is fundamentally incompatible to working with high technology, and was the main cause of the problems in the project. The processes have too small margins of error to enable trials, and the costs of failure are too great. The previous example of the factory building demonstrates this.
The operating style works in a standard factory that can produce a functioning product even if there are defects in the manufacturing line. Once there is output, changes to the line can be tested, and it is seen whether the production gets better or worse. Over time, testing every new idea can evolve the process to run efficiently even in ways that could not have been predicted. An interviewee explained that the problem of using this method with high tech is that when high technology manufacturing line is set up without meeting standards, with the idea that it will be improved later, there is no output at all. It requires every step to be precisely executed in correct order for any functioning product to emerge, with almost no margin of error. When there is no output, the evolutionary process cannot start. Furthermore, the machinery will easily break if used against instructions.

The interviewees said that wanting to try new procedures seemed to be so ingrained into the Chinese leadership’s work culture that they could not resist deviating from instructions. However, there were signs that business culture can change in this regard. The Chinese company hired new young employees for the project with no work experience or any kind of background in the field. The interviewees said that they had to start their training from the very basics, and while it was a very slow process, they noticed that then young employees started to actually learn a working culture which would enable them to run the production line. The interviewees were confident that would the project have continued, eventually the young employees could have been adequately trained and the project would have been successful.

When the new employees started to work according to instructions from the Finnish company, the Chinese leadership stepped in and instructed them to try out new procedures instead. It was speculated that the Chinese leadership was growing concerned that the new employees would be developing loyalty to the Finnish company instead of them, which soured relations.
8. Conclusions

Following is a summary of Chinese business culture based on my interpretation of the theoretical framework, the interviews and my own experiences.

The Chinese business culture seems to be derived from the Chinese national culture. The characteristics of business culture can be seen as manifestations of the base cultural values: Social interaction is seen has happening between groups instead of individuals; extremely hierarchical organizations, where power and responsibility are concentrated at top leadership; high tolerance of uncertainty and vagueness, people do not feel uncomfortable being in a situation where they don't know what is going on and what will happen next; valuing competition and success over cooperation and quality of life; and thinking in the long term. (See Hofstede’s culture dimensions on pages 11-16)

Being competitive-minded and willing to face uncertainty, which lends itself to being able to take risks and to adjust operations flexibly when necessary, are easy to see as good qualities for running a company, but there are some points one has to keep in mind about them:

Being collective-minded means that the competition happens between groups, not individuals. People within the same group avoid competition and conflict to the point where they are unwilling to point out flaws in the working style of their organization. This is further reinforced by the idea that only the leadership should concern themselves with such issues. Also the group being so important for the identity of people, inclusion of people to a group is a very slow process, and therefore a company might be a very weak group compared to one's circle of family and friends. So an employee's drive to make a company competitive might not be very strong in many situations.

This is why building personal relationships, guanxi, is critically important especially in a cooperative agreement between companies. If the Chinese partner does not feel that a relationship exists, their inclination is to compete instead to cooperate.
As also mentioned in the theory part (page 15), the tolerance for uncertainty is often taken to a level where there might even be an active dislike for standards, procedures and rules in the organization. Each problem or a step in the procedure is thought of as a unique situation and solved on a case-by-case basis. However, the hierarchical thinking means that usually only the boss has the power to think of solutions. This means that if a problem occurred when the boss didn't expect it and is not at hand, the employee is left with no idea what to do, no way of improvising a solution and often no willingness to actively seek guidance. And I must say that this is completely in line with what I often personally witnessed in China. Even though there often were a lot of rules and guides that people were expected to follow, in a situation where they were unclear on what to do, they just went through the motions of following the rules without putting any thought to them or expecting them to actually do any good. When things started to happen, people stopped paying attention to rules.

8.1 Evolution versus Intelligent Design

Long-term orientation together with high levels of uncertainty avoidance and power distance create a business culture where a single leader, “the Chairman,” sets a goal in relatively distant future that the company aims towards, but there is very little planning for how to reach the goal. Instead the daily business operations are ran by trial and error. The leadership decides a course of action largely based on intuition, and after a while makes a judgment whether or not it is taking the company closer to the goal. If not, the whole idea can be abandoned and a completely new approach is tried instead. If the idea seems to be working, it is held and then starts a process of adjusting the course again based on trial and error. Having to change major parts in one’s business is not viewed as a failure of any kind, but a normal thing that happens when running a business, and trying things that don’t work are often seen as valuable chances of learning.

A common topic of discussion among foreigners with some China experience is how strange it is that Chinese culture is supposed to be one where long term thinking is valued above all, but many of the business decisions of Chinese companies seem to be very short-sighted. The trial and error approach explains this, as the short sighted decisions are meant to be only a trial run.
Another thing explained by the trial and error approach I have often experienced is the Chinese habit of being very interested in the age of a company when talking about businesses. It is clear how in the Chinese business culture it is extremely important, as a new company might still be basically doing random things to figure out their approach. On the other hand, after a long time the evolutionary process might have resulted practices better suited to the company’s unique position than what would have been possible to plan ahead of time.

The trial and error culture can be seen as a somewhat central part of Chinese business culture, as it to a large extent explains other aspects of the culture. Centralized power and hierarchy are necessary in absence of stable procedures and guides to organize operations, otherwise everyone would try to come up with their own and possibly conflicting solutions to every problem. The stable personal relations of the guanxi system also serves an important function of bringing stability to otherwise inherently relatively unstable organizations.

8.2 Family before All

Hofstede (2010, 340) says that if the core Chinese culture had to be described with one word, that word would be “family.” In Chinese business culture the emphasis on family is clearly present. The Chinese organization style is well fit for a family company, where everyone is willing to accept the constant close supervision and strong leadership position of the father(figure), and identifies themselves as a part of the company strongly enough to want to make it competitive. The obvious problem with this style is that if the organization grows too large, the extra employees cannot be efficiently integrated into the group, and the leader cannot be personally supervising everyone anymore.
8.3 Power Struggles

The combination of high masculinity and high power distance create an environment that can nurture power struggles. As a result, internal power struggles feel much more common and more pronounced than in Finland. Also, the high level of collectivism makes the dynamics of power struggles different than what Westerners might be used to, since it means the biggest struggle is between groups, not individuals.

8.4 Results of the Case

The biggest challenge created by Chinese business culture in this case study was the trial and error culture. There were problems in the guanxi-relationship, but it might be that they were not big enough to cause major problems by themselves, they just hindered the solving of the other problems. It was difficult to build a relationship with this particular company, and a lesson can be learned that even when talking about guanxi-relationships in China, relationships sometimes just do not work. It always takes two sides to build them.

When it comes to the power struggles, a lesson is that it is not necessarily enough to guard your own status, you must also be sensitive to the internal balance of power of Chinese organizations. In Chinese thinking loyalty is built to one person, and direct influencing of other organization’s underlings might have been seen as a challenge to their power.

The issues with communication are always present. The differences such as between high and low context communication are large when comparing Chinese and Western communication style, which means that simply knowing the language does not always result in clear understanding. Deep cultural expertise is also required. Ideally every translation team would consist of natives from both countries who understand each other’s language and culture well, and have a strong relationship to be able to discuss the true meanings without issues.
The finding that the trial and error aspect of Chinese business culture would be completely incompatible with high technology has broad implications. It means that technological level of a country or a company is less dependent on technical knowledge and more on a culture that can make use of the knowledge. Development of the Chinese high technology industry would mean a development of the business culture to tolerate forward planning, or that a new branch of business culture will develop for the high technology industry. There already are at least three distinct business cultures in China, but the trial and error method is common to all. Currently it seems there is no culture for high technology industry, at least on a large scale.

There were signs that the trial and error aspect of the Chinese business culture can be changed by outsiders to some degree, which means it is not too rooted in the values of the national culture. A company trying to transfer high technology to China would also have to be involved in cultural development, which is a much more massive project than a technology transfer alone. Culture change would be a very difficult and long-term project. Finding a partner with whom the relationship works well and who would be truly ready to accept cultural change would be very important.

In this case the cultural issues might not have been fully responsible for the collapse of the project, but the misunderstandings caused by them probably contributed to the emergence of the other undisclosed reasons. And had the project been able to go on, the cultural issues would have had to been solved sooner or later.

It is very possible that same issues are present also in other advanced business fields.

As a general warning, I must say that in trying to transfer one’s own cultural aspects to others, there is a big risk to start acting arrogantly. Besides being morally questionable, arrogantly imposing one’s culture upon others does not work, and it is the surest way to destroy relationships. Even if some aspects of our culture fit better to certain things, we must always keep in mind that our actions influenced by our culture sometimes seem irrational to others, just as theirs sometimes seem to us. Any proposed changes must be very thoroughly and rationally argued. It requires one to try to see his own cultural background in an objective light.
The main issues of the case project found to be caused by Chinese business culture are presented in the following table, along with how these aspects of Chinese business culture have roots in Chinese national culture.

Table 1. Chinese cultural values’ manifestation in Chinese business culture and their effects on the study case

<table>
<thead>
<tr>
<th>Chinese cultural value dimensions</th>
<th>Manifestation in business culture</th>
<th>Effects on the study case</th>
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<tbody>
<tr>
<td>High power distance</td>
<td>- Centralized decision-making&lt;br&gt; - One-way information flow&lt;br&gt; - Maintaining power hierarchies is very important</td>
<td>Challenges when instructing lower level Chinese employees when the Chinese leadership was not present</td>
</tr>
<tr>
<td>Low individualism</td>
<td>- Importance of personal relations, guanxi&lt;br&gt; - Integrating others to one’s own circle is a slow process&lt;br&gt; - Employee’s dedication and loyalty to a company often either very high or very low&lt;br&gt; - Aversion for arguments and showing disagreement</td>
<td>Challenges in building a strong enough relationship for high-level cooperation</td>
</tr>
<tr>
<td>High masculinity</td>
<td>- Competition emphasized over cooperation&lt;br&gt; - Leadership established by aggressiveness and assertiveness</td>
<td>Challenges in keeping focus on mutual benefit and avoiding competition between parties</td>
</tr>
<tr>
<td>Low uncertainty avoidance</td>
<td>- Contents of contracts not very important&lt;br&gt; - Dislike for standards, procedures and rules&lt;br&gt; - Trial and error, case by case method of problem solving</td>
<td>- Challenges when transferring knowledge by instructions&lt;br&gt; - Trial and error method not resulting in precise enough manufacturing process</td>
</tr>
<tr>
<td>High long term orientation</td>
<td>- Focus on long term market position instead of immediate profit&lt;br&gt; - Investment in life-long personal networks</td>
<td>Requirement for long-term commitment</td>
</tr>
</tbody>
</table>
9 Evaluation

The objective of this thesis was to find out what aspects of business culture can become challenging when a Finnish high technology company is conducting technology transfer to China. The study was conducted as a case study of a rare case of a Finnish and a Chinese company worked on a more or less equal basis to transfer highly advanced technology to China. The study method was study of relevant theoretical framework and based on that, extensive interviewing of people who knew everything about the case from the Finnish point of view.

The study found an important factor in the trial and error aspect of Chinese business culture. Even though the phenomena was very familiar to me from working for Chinese companies, the theoretical study of it opened a new perspective on it, and it had never occurred to me how important factor it could be in high technology field. The finding was new at least to me. The other factors, guanxi-building, communication and power struggles were not exactly new information, but they provided a view on how the issues can become problematic in practice.

Validity means whether or not the study method can answer the problem (Hirsjärvi etc. 2010, 231). In this study the points of discussion is whether the study scope is large enough to answer the question: Can the single case be generalized to speak for the whole high technology industry or whole China? Is the theoretical framework built from too few sources? Do the three interviewees have wide enough experience and views?
As for the generalizing one case to answer the question, the issues discussed in this thesis were with great care chosen by me and the two members of the Finnish company’s leadership to only include issues that are obviously part of Chinese business culture as a whole, and to exclude issues that were more a matter of organizational culture or caused by something not culture related at all. I have no doubt that our cumulative experience is enough for making that judgment. When dealing with other Chinese companies, the intensity of these issues will vary, but all cases will have to deal with them to some extent. This case was an extreme example of difficulties with relationship-building and assertiveness of authority in particular. As speaking for the high technology industry, I am confident that the interviewees have after decades of experience enough expertise to know what it takes to run a production line.

The theoretical framework is mostly sourced to just a few sources, but the sources are all very relevant to the study and they support each other and the empirical data very well. I believe these books are invaluable to understand cultural differences. Reading them after my experiences in China helped me to understand and put into context a lot of things I saw there.

The number of interviewees is somewhat compensated by the close contact I had with them and their unique experiences, but finding more people to interview is something I would have done had the time permitted.

All in all I am satisfied with the thesis. Not being able to be involved in the project personally obviously limited the available data a lot, and having to change plans and going to work for a completely unrelated company in the middle of the process brought its own complications and limited the available time, but the result is still rewarding. The findings are interesting and important, and I managed to discuss a good collection of issues that are important to think about for anyone wanting to do business in China, or to understand China in general. As for my personal learning, being forced to think through the framework of culture theory gave me a new perspective for viewing my China experiences. I was also lucky to be able to hear and learn from others’ experiences in a very rare case where a Chinese and a Western company are more or less equal partners. Had the situation been better, I would have included a wider range of theory references and conducted more interviews.
The possible development of the Chinese business culture to enable high technology industry is something that warrants further study. Research problem could be to confirm the hypothesis that such a change is really happening and necessary, either by studying other countries that have gone through similar transformation, or studying Chinese business culture from a more historical point of view to see if there is a long-term trend. Also, if the change does happen, it must be currently changing rapidly, so it would be interesting to study how fast the change is, where the current level is and what are the possible outcomes of the change.
References


