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**Experiences of Finnish clean tech SMEs with setting up
a company in China**

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Thesis abstract

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ABSTRACT

The aim of this thesis was to examine what experiences Finnish SMEs have faced after a few years from setting up a business or opening an office in China. The chosen SMEs were from the clean technology sector.

The research problem was to clarify especially the difficulties, obstacles interviewed SMEs have faced that new comers would not do the same mistakes and would know what to expect in China. The used research method, qualitative research, was described in the introduction. The theoretical part of the study deals first with the economical atmosphere of China today, doing business in Asia, typical features of Chinese business life and challenges Finnish companies have had in China. The theoretical section ends with information of presenting soft-landing services and clean tech industry and its potential to an export to China. The fifth chapter in this thesis discussed the carried out research, qualitative method which is mostly used in studies that require explanation and understanding the context.

For the research four representatives of the chosen companies were interviewed face to face. Interviews were made in China and Finland. The interview themes can be found at the end of this thesis. In the last chapters there are practical advises for companies which are planning to set up a firm in China.

Keywords: Doing Business in China, Setting up a firm in China, SME, Clean Tech, Chinese business Culture, guanxi, FinChi, FinPro, FBCS

SEINÄJOEN AMMATTIKORKEAKOULU/ SANDAN YLIOPISTO SHANGHAI

Opinnäytetyön tiivistelmä

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Opinnäytetyön tarkoitus on kartoittaa mitä kokemuksia Kiinaan perustetuilla PK-sektorin clean tech alan yrityksillä on ollut perustamisen jälkeen

Tutkimusongelmana on selvittää erityisesti vaikeudet ja esteet, joita haastatellut pk-yritykset ovat kohdanneet. Tavoite on, että uudet Kiinaan tulijat eivät tekisi samoja virheitä. Lisäksi he tulisivat tietämään mihin pitää varautua yritysmaailmassa Kiinassa.

Käytetty tutkimusmenetelmä, laadullinen tutkimus, on kuvattu teoriaosassa. Opinnäytetyö teoriaosa käsittelee ensin taloudellista ilmapiiriä Kiinassa tutkimuksen tekoaikana 2016, liiketoimintaa Aasiassa, tyypillisiä Kiinan liike-elämän tapoja sekä haasteita, joita suomalaiset yritykset ovat kokeneet Kiinassa. Teoriaosion päätteeksi esitellään softlanding- sekä muita suomalaisia yrityskehityspalveluita sekä cleantech teknologian vientimahdollisuuksia Kiinaan. Viides luku käsittelee tutkimuksen suoritusmenetelmää. Tässä tutkimuksessa se on kvalitatiivinen tutkimus, jota käytetään usein tutkimuksissa, jotka vaativat ymmärrystä ja tulkintaa tehdyistä aineistojen keruista, haastatteluista. Tässä haastattelumuoto oli teemahaastattelu.

Teemahaastatteluun valittiin neljä suomalaista cleantech alan PK-yritystä. Valittujen yritysten edustajia haastateltiin kasvokkain. Haastatteluja tehtiin Kiinassa ja Suomessa. Haastattelun teemat löytyvät opinnäytetyön lopusta. Viimeisissä luvuissa on johtopäätöksiä ohella käytännön neuvoja yrityksille, jotka suunnittelevat yrityksen perustamista Kiinaan

Avainsanat: liiketoiminta Kiinassa, yritys Kiinassa, cleantech yritys, Kiinan business kulttuuri, guanxi, FinChi

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List of Abbreviations

ASEAN	Association of the Southeast Asian Nations
CIT	corporate income tax
CDM	Clean Development Mechanism
Expat	expatriate
FDI	Foreign Direct Investors
FIE	Foreign Investment Enterprise
Fifth Plenum	China's five-year plans
FinChi	Finnish Innovation Center
Finnfund	Finnish development finance company
FYP	Five Year Plan
GDP	Gross Domestic Product
IMF	International Monetary Fund
ICT	Information and Communication Technology
Guanxi	Chinese "Relationships"
Mianzi	the Face.
NDRC	the National Development and Reform Commission
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
TRE	Tax resident enterprises (CIT)
VAT	Value Added Tax

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1 INTRODUCTION

1.1 Background

China is gradually attracting as an export target because of its strong economy in last 20 years. Big global Finnish companies like Kone and Nokia, that have over 10 000 employees, have been in China market from 1990's, 15 years prior China changed its economic policy from central planning to more a more market-oriented system, so-called totalitarian marketing economy. According to Heino (2011, 37-38) when big companies like Kone and Nokia opened the way for Finnish companies, also small and medium size companies, SME's, have founded their subsidiaries or open offices in China. Kone set up its first office in China in 1996. The Office located in Kunshan city of Jiangsu Province. Today according the Finpro's (2016) China experts the trend is that many Finnish companies have settled down to China and personnel are mostly Chinese. Today there are about 400 Finnish companies that export to China; about 50% of them have their offices there. Heino explains (6) that nobody can tell the exact number of the companies; all of the Finnish companies are not listed in Finpro or other organizations database. The companies are mostly from the branch of machine industry, clean technology and service. The best years to invest to China are perhaps over because the production cost in China has risen because of the general economic development.

There still are some industries that have great growth potential in China according to FinPro organization, like clean technology. It has estimated that during the next five years China will invest more than 200 billion Euros in solutions to air pollution (Finpro 2016 [Ref. 24.4. 2016]). If we put together the great need for clean technology - because of the pollution problems in China - and Finnish knowhow in clean tech, there is a very potential equation for export. In clean tech there are a lot of SMEs, which need support starting international trade or founding the company outside the home country. In Clean tech sector there are about 20 Finnish companies which have their sales offices or even production in China. It is still profitable to set up a company in China in that business. There are a few SMEs which are planning to set up their company also in China, near the markets. It

would be useful information to hear what kind of experiences similar companies have had and what kind of obstacles they have faced after starting their action in China. It would be sensible if the companies starting their business in near future didn't make the same mistakes as the companies which have been there for years.

In China clean tech products are needed because of the pollution problems. According to Medical Daily (2016) "*outdoor air pollution, considered to be among the worst in the world, indoor air pollution through heating and cooking using coal and other biomass fuels, and the contamination of soil and drinking water mean that the Chinese population is exposed to many environmental carcinogens*". Medical Daily (2016) states that in China air pollution kills with estimates 7 500 Chinese per day. In Finland there are lots of innovative companies producing clean tech equipment. The latest strategy of China is also supporting the clean tech ideology. Finnish Ministry of Employment and the Economy launched clean tech strategic program in 2012. At the moment, in 2016, it aggregates over 80 clean tech companies, who are targeting to international markets. They have several development programs and support for those companies; fact finding trips, financial support, adviser services etc. The target of Clean Tech Finland is to double the amount of works and turnover of the companies. Export is the key element for that. Finland has invested public funding in clean technology innovation for about a decade 200–250 million euro each year. When summing up both the public and private funding, it makes over a billion euro per year.

Finland is also recognized as a clean tech country in China according to Beautiful Beijing project (2016), which boost "cooperation between China and Finland in R&D work, university cooperation and in business in clean air sector". This project is one prove of this.

1.2 Research problem

In this thesis the focus is to study what kind of experiences and obstacles Finnish SME's in the branch of Clean technology have experienced after opening the office or subsidiary in China. How they have managed to do business in China in those years?

The method to implement this study is to interview four companies that have been in China for several years and have similar background as companies who are planning to open their business in China in the near future. The companies should be small or medium size enterprises, less than 250 employees in Finland, which operate in the branch of high technology and specialize in clean technology. Part of the interviews will be done face to face in China visiting the companies and part of them visiting them in Finland.

In the theory part there is information about what are China today and some economical facts. The year 2016 is very interesting for the near future of the China's economic because they published the next five years plan, The 13th FYP Proposal. It affects also to FDIs, Foreign Direct Investors, and this is good to know for companies who are planning China operations.

In the chapter "Doing Business in Asia" is explained the reasons why should the company start an international business and what resources are needed.

Some Asian cultural features in business are explained using the theory of Chaney and Martin (2010); the negotiations and networking system. These are the phenomenon that differs from western business life and came out in discussions with expats in China. Also life as an expat in China needed to get attention in this study; it might be an expensive item of expenditure and also big risk for the internationalizing company. The basic of taxation differences between Finland and China are also good to know when planning to open an office in China.

There is also presentation about how the Finnish Companies in China can have support and help from many Finnish organizations located in China. Especially Finnish Innovation Center in Shanghai is presented as a good system Finland has created for internationalizing SMEs.

Finally the clean technology industry and its potential in China in the near future are opened for readers, because the study is about the Clean Tech companies.

1.3 Need for the Research

There are some Finnish SMEs who are planning on opening their office or founding a subsidiary in China. It has been challenging to find current information about the experiences of having a subsidiary in China about five to seven years. In this study the readers will get structured information about the experiences and the obstacles interviewed companies have had. They will then have an idea what they have to observe when they start the business in China. There are several SMEs in Finland that are interested in the results of this study. This information will be very useful for those who are thinking of opening their office or subsidiary in China.

2 BUSINESS ENVIRONMENT AND ATMOSPHERE IN CHINA

2.1 Economic Liberalization in China

China reopened for western companies and investors after the cold war. So it has been open to the outside world for quite a short time, about 31 years. The years from 1978 to 1989 are called Economic Liberalization. In that time Xiaoping Deng, the new leader of China after famous Mao Zedong, “shifted China’s policy from central planning to a more market-oriented system and opened China to global economy”. (Sull 2005, 18-21). The aim was at the modernization of industry, agriculture, science, technology and defense. The goal was that the private enterprises could supplement the centralized planning system and create work opportunities. According to Sull (21) Gold and King (1986) discussed also the fears in Hong Kong and Taiwan about the private ownership and reunification to China and are mentioned to be one reason to reform since the reform of foreign investments have become an import factor for China’s internationalization and economic reform. The economic reform is from planned economy to a free market within socialistic context. The Law of People’s Republic of China on Chinese-Foreign Equity Joint Ventures was promulgated by the National People’s Congress in 1979. (Yao & Steele 2000, 9).

According to Lam and Law (2012, 9) there have been two globally remarkable big events in China 21st century; The Beijing Olympics in 2008 and Shanghai Expo in 2010 that impressed the entire world.

The scale of absorbing foreign capitals has been enormous. China continues to refine its laws and managerial systems on foreign investments. One important tool for that is the Fifth Plenum, China’s five year plan, blueprints containing the country’s social, economic, and political goals. The 13th was published in March 2016 in Beijing.

2.2 Facts and numbers about China

With a population of 1.3 billion in the year 2016, China recently became the second largest economy after the USA. China is increasingly playing an important and influential role in the global economy. According to latest World Bank China Overview 2016 [Ref. 23.4. 2016] GDP growth is nearly 10% a year. This is the fastest sustained expansion by a major economy in history. This has also lifted 800 million people out of poverty. But China still remains a developing country, because its per capita income is still minimal of that what it is in advanced countries. China's market reform is incomplete. According to World Bank China Overview "rapid economic ascendance has brought on many challenges as well, including high inequality, rapid urbanization, challenges to environmental sustainability and external imbalances".

The World Bank [Ref. 4.4.2016] also estimated that by 2017 China will take the US position in the world's largest economy.

When this thesis is written in autumn 2016, according to Forbes research [Ref. 24.4. 2016] China was the largest exporter of goods in the world with 9.6% of the global share and 8.4% share of goods and nonfactor services.

2.3 The 13th FYP Proposal - the near economical future

In the 2016 published China's five years plan have important knowledge about the strategy of the economic until the year 2020. According to World Bank China Overview 2016 [Ref. 25.4. 2016] the annual growth target in the 13th Five-Year Plan is 6.5%. The 13th FYP Proposal contains five main principles:

- innovation
- openness
- green development
- coordination
- inclusive development.

Openness policy means good for the foreign investors; China will be more active in global governance and more transparent. Innovation will be driver for economic growth and development.

China's big target is to come "from a big industrial country into a powerful industrial country" according to World Bank China Overview. One tool for this is Internet of things (IOT); it pits together the internet with traditional industry, Made in China 2025 - a program for industrial upgrading and intelligent manufacturing.

2.4 China as a business target

China is the second biggest Foreign direct investment target after India in 2015 (OECD 2015 [Ref.15.8. 2016]). FDI in China increased 5.1% to 69.42 billion Dollars in the first six months of the year 2016. Foreign investment in the services sector rose 8% and they are 70.4% of total FDI. In the manufacturing sector FDI shrank 2.8%. According to Trading Economics statistics (2016) the biggest investors are The United States, the UK and Germany.

In the year 2015 China also had some economic problems because of the global economic crisis; it was battling slow economic growth, overcapacity, and high debt. In 2015 because of a weaker yuan and a slowing economy the highest sum of currency in the past decade was moved out of the China, about \$1 trillion according to FDI Intelligence. In February 2016 were announced "a massive layoff of 1.8 million workers to downsize its coal and steel industries". (Guartz India 2016 [Ref. 13.8. 2016]). This had also some negative affects to Finnish export to China.

But the near future from 2016 to 2020 is forecasted to be promising and there will be some growth; in the region of ASEAN, Association of the Southeast Asian Nations, is projected to average 6.2% per year. This is shown in table 1. (OECD Overview 2016 [Ref 22.4. 2016]).

Table 1. Statistics of the GDP growth of ASEAN countries. Annual percentage change. (OECD statistics 2016)

Country	2014	2015	2016	2016-20 (average)	2011-13 (average)
ASEAN-5					
Indonesia	5.0	4.7	5.2	5.5	6.2
Malaysia	6.0	4.6	4.6	5.0	5.2
Philippines	6.1	5.9	6.0	5.7	5.9
Thailand	0.9	2.7	3.1	3.6	3.2
Viet Nam	6.0	6.4	5.9	6.0	5.6
Brunei Darussalam and Singapore					
Brunei Darussalam	-2.3	-1.4	0.5	1.8	0.9
Singapore	2.9	2.1	2.4	2.6	4.1
CLM countries					
Cambodia	7.0	7.0	7.1	7.3	7.3
Lao PDR	7.4	6.9	7.0	7.3	8.1
Myanmar	7.7	8.2	8.2	8.3	6.9
China and India					
China	7.3	6.8	6.5	6.0	8.2
India	7.3	7.2	7.3	7.3	5.5
Average of ASEAN 10 countries	4.6	4.6	4.9	5.2	5.4
Average of Emerging Asia	6.7	6.5	6.4	6.2	7.0

China has been **WTO** member since 2001.

According to forecasts prepared by the International Monetary Fund (IMF), China is expected to continue being the largest contributor to world GDP by 2020. Compared to EU and US the forecast is (KPMG China Outlook 2016):

- 20 % for the China
- 15.5 % for the European Union
- 14.9 % for the US.

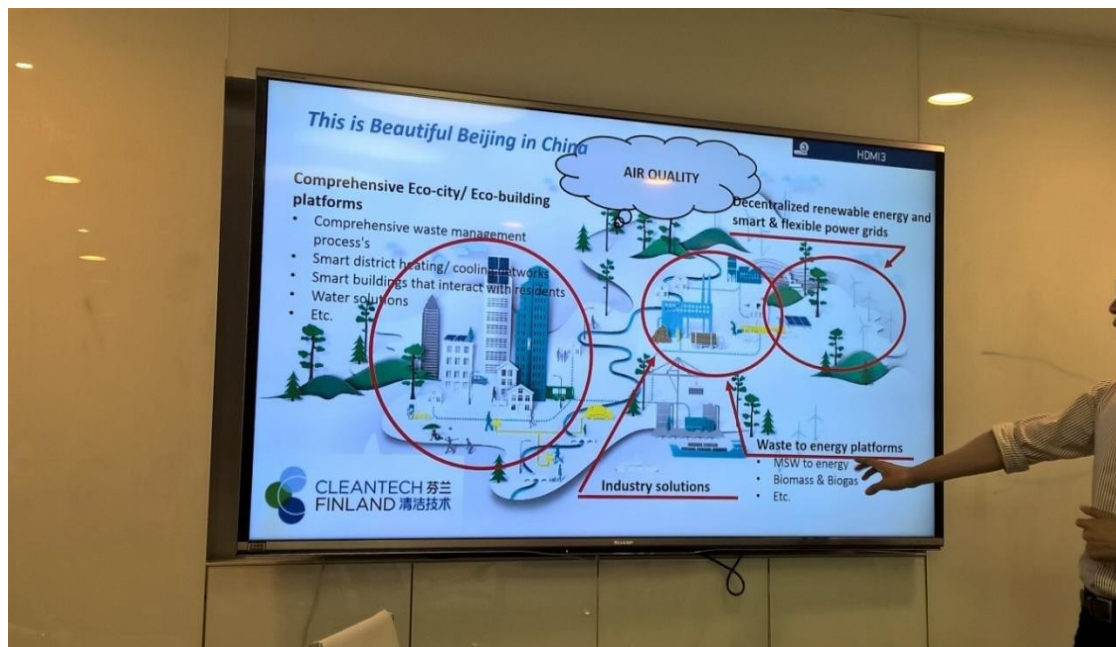
The political situation and society in China is now peaceful and stable because the National Communist party has kept a tight grip on state and society according to BBC China profile (2016). Also in general the infrastructure is working well and domestic markets are growing for example because of the growth of annual average earnings of the Chinese middle class.

During the recent years world's attention has focused on China for many different reasons. The growth of Chinese economy has been going up, and despite the worldwide recession it still continues. China has become economically more and more important partner of Finland.

During past years bilateral relations between Finland and China have been increasingly strong. This is clearly shown in the statistics (China-Finland Embassy [Ref.4.4.2016]):

- In 2014 the trade between Finland and China reached to 6.3 billion euros.
- In China there are an estimated 400 Finnish companies.
- Finland has invested about 10 billion euros in China in total.

There are state oriented projects to promote export to China as one systematic way to do co-operation with Chinese. Beautiful Beijing project in picture 1 (Suksi 2016) is one good practice for increasing export.



Picture 1. Finnish organizations are promoting Finnish know-how in China. Cleantech Finland and Beautiful Beijing Project. (Suksi 2016).

3 INTERNATIONAL BUSINESS IN ASIA

3.1 To international business

The most important reason why internationalize and to conduct international business is to find bigger markets. It is very important for the company to have a clear idea why to go abroad, for example to Asia. Is it an adventure or a serious will to develop company to grow and internationalize? To find the real motivation for export or even to opening an office or production abroad, for the company is better to set a target for what are the resources vs. result of export. This all means that the basic things have to be in good condition in domestic business. After these the company can start the strategy process for opening its way to the outside world.

According to Ojala (1999) the basic thing is that the company who wants to start export business must have a business idea that is profitable enough and give answers to "who, how and what".

Starting an international business mean for the staff responsible, very often the management team, coming out from the comfort zone. In exporting business nobody can expect ideal conditions, especially in the beginning. There aren't certain rules or advices what to do for a new exporting company; each business case is unique.

Suksi (2016) gives a warning: It is also good to understand in time if the export is not working well; if the resources of the company are still not enough or the quality of the actions is not in the right level etc.

According to Tynkkynen (2016) the company should have for example references first in domestic markets; good experiences of the products and some practice knowledge. In clean technology branch in Finland lack of the experiences in domestic markets is a hold-up or even a hindrance for exporting the clean technology products abroad.

Improving the conditions, law and regulation, support systems etc. should be for those products that are potential export products, like clean technology products.

According to Suksi (2016) export requires recognition of the operational realities. This means that the exporting company has to find the customers who can pay the bills. The customers may be found from the board markets in which there is a hard competition, like in Asia.

3.2 To start a company in China

Foreign investors can register four types of companies in China (Ma 2016):

- Wholly Foreign Owned Enterprise (WFOE)
- Partnership Enterprise (PE)
- Representative Office
- Joint Venture.

According to Ma (2016) WFOE (also WOFE is used) means the company in China that is wholly owned by the foreigners, no Chinese involved. Joint Venture means the contractual contract joining together two or more parties for the purpose of executing a particular business. Representative office means an office established by a company to conduct marketing in a foreign country where a branch office or subsidiary is not warranted. Foreign Invested Partnership Enterprise (PE) is an unlimited liability business entity without minimum requirements on registered capital according to Corporation China 2016 [Ref. 24.9. 2016]).

Before starting a business in China, entrepreneur has to know what the options are. According to Lam and Law (2012, 46-53) one key question is: “what is the nature of the business? Is it manufacturing, producing services or trading?” For example manufacturing WFOE gives the WFOE permission to manufacture and trade their products and also allows the customer service.

WFOEs do not have Chinese partners and that gives the investors the freedom to implements its own China strategies. Also unlike representative offices WFOEs can generate revenues and issue invoices. Lam and Law (53) explains that it is remarkable that WFOEs allow for better protection to their technologies and intellectual properties, IPRs. Registered capital requirement is normally in 2016 at

least one million RMB for WFOE. It depends on the size and on the manufacturing facility.

Half owned joint ventures have often difficulties in developing transparency in business operations. Another problem is repatriation of profits.

According to study of Ahoniemi (2010, 56) it is a good idea to have clear internal rules that are described in simplified form for a foreign company in China; what is sold and under what conditions also including decision-making and local action. The industry or business the foreign company is representing in China is advisable to inform the widest possible. If the industry is defined as narrow-ranging and it must be completed later, there will be a lot of paperwork and company has to pay the fees again.

Normally inception phase will last a half year, but is better to prepare for a year-long process. Payments are not unreasonable, but there will be a lot of documents.

In China foreigners need to have cash for payments in everyday life. Ahoniemi (78) writes in the other hand that internal payments are easy to pay using internet banks. Competition between banks is hard. There are several national banks, multinational banks, and also Finnish banks. Both China and Finland have a lot of bureaucracy when starting a new business. In China best way is to use special agency or experiments doing all the paperwork. There will be a lot of documents. Before setting up an office or plant in China is good to know some differences in corporate taxation. This is quite a general knowledge.

3.3 Differences in corporate taxes between Finland and China

In China procedures for the establishment of Foreign Investor Enterprise (FIE) included steps ranging from the application for enterprise code to the handling of formalities in connection with tax, finance, bank account opening and customs declaration. Generally these four steps are indispensable (Ma 2016):

1. Approval of Project Application Report

2. Approval of Contract and Articles of Association
3. Application for Approval Certificate
4. Registration

According to Finnish tax authorities corporate taxation in Finland will depend on company forms. The tax amount is composed of a profit company, and the company's net assets. If a company makes a loss, it is transferred as a deduction in future periods, the profit, which is calculated after the tax year.

In Finland Limited Liability Companies pay corporation tax. In 2016 it is 20%. Limited partnership and open the company's income is taxed in such a way that the result and the net assets shall be distributed among the partners.

China's new tax law came into force in the beginning of 2008. Tax resident enterprises (TREs) are subject to corporate income tax (CIT) on their worldwide income. Under the CIT law, the standard tax rate is 25 %. This reform of corporate tax for all companies is 25 %. (Veronmaksajat 2016 [Ref. 14.8.2016]).

Value Added Tax or VAT is a general consumption tax on the consumption of virtually all goods and services. The general VAT rate is 24 % in Finland. In China it is 17%.

Valuable information is that “qualified new or high tech enterprises are eligible for a reduced CIT rate of 15 %. Key software production enterprises and IC design enterprises are eligible for a reduced CIT rate of 10 %” (Private Waterhouse Coopers 2016). There is a set of criteria candidate has to fulfil to this.

For the purpose of taxation in China, a company is considered a resident Chinese company, if it is incorporated in China or if it has management office located in China.

A Chinese sole trader must be owned by a Chinese national. As the name implies, it is owned by a single individual who bears complete liability for the small private company. Foreign investors who want to open a small enterprise in China will need to find a Chinese partner.

There is no local income tax in China. (Private Waterhouse Coopers 2016).

3.4 Some typical Chinese business features

There are some unique Chinese features for doing business that are different from western norms. There are good to know when preparing to do business with Chinese. Especially the Chinese network seems to be the phenomena that are not well known among westerns who just visit from time to time in China.

3.4.1 Negotiations with Chinese

Having negotiation in China and with Chinese is quite different from western style. There are some points and practices that are good to know before negotiation.

First the meeting room is not organized like in west explains Suksi (2016). "The meeting table is not in the middle of the room, there are many sofas and small tables in front of them and on them some hot water for tea" according to Blackman (144). People are freely smoking inside. They have dressed very different styles; some of them are using suits and some have pullovers or even winter jackets. In wintertime there might also be gold inside, they don't heat the rooms necessarily according to Suksi.

According to Blackman (2005, 142) when negotiating in China, you will likely face a team of negotiators across the table. A key challenge will be to identify the real decision maker in the group says Suksi who has experience of 10 years doing business with Chinese. There might be one but also very often those are not involved in the meetings, they have represents.

Chaney and Martin (2013, 219) tell "that bargaining is very typical Chinese way to influence to maximize the profit for Chinese part, also in business negotiations".

It is good to notice when planning schedules that negotiation process is probably to take place over a longer period of time than in the western world. According to Chaney and Martin (255) Chinese people prefer to manage their business face to face than by email. "Meetings start by shaking the hands, and the oldest person will be shaking hand always first" explains Blackman (143). Strong hand pressing

should be avoided; it gives an aggressive effect. Also, any kind of physical contact is a good to avoid according to Chaney and Martin (227).

Avoid direct eye contact with Chinese, it might be interpreted rude. The official contacts, such as negotiations, relationships between people are very formal. In the discussions it is important to stay on the professional level.

Chaney and Martin (227) point out that punctuality is important in negotiating with the Chinese. The delay is perceived as an insult. The Chinese are tough negotiators, perhaps the toughest in the world according to Chaney and Martin. “They research their opponents thoroughly to gain competitive advantage during the negotiation” writes Chaney.

Chinese may not openly state everything during negotiations. Chaney (227) explains that they can use silence, or change the topic of discussion to show that they disagree with what is being proposed. In table 2 there is a summary of some typical customs that are mostly different in Finland and China in negotiations. Chinese customs are picked up from the theory of Chaney and Martin (2012), also some Finnish customs, some are general knowledge.

Table 2. Differences Finnish and Chinese customs in negotiation.

Custom	Finnish	Chinese
Small talk, the atmosphere	No small talk, meetings in the meeting rooms	Lunch and dinners are important, in direct conversations
Silence	May be moments of silence – Finns are thinking	Silence and postponement when not satisfied to offer
Equality	Equality between women and men, as well as managers and their subordinates	Hierarchy in the negotiation team
Bargaining	No bargaining!	Bargaining is big part of business—toughest negotiators
Preparing to negotiations	getting better among to learning Chinese culture	Chinese do their homework
Punctuality	important	important
Business card	Important and given using one hand. Putting into pocket.	Important and the way how to give them with both hands, left them in front of you.
Contract	written is legal	Spoken one is also meaningful. In written there will be changes after signing
Gifts	Not so common culture to give gift, but for foreigners	important

3.4.2 Networking in China

One very substantive phenomenon in Chinese business is so called Guanxi, which means "relationships". In the Chinese business world it is understood as the network of relationships among various parties that cooperate together and support one another. For foreigners understanding Guanxi is difficult. According to Havren and Rutanen (2010, 160) this is why Chinese networking management would be very useful for them in China. When they try to get in to the unknown industry in China, they often face a wall. Without relationships, guanxi, they can't meet the right people. It is also good to know that foreigners don't have easy access to Guanxi.

According to Lehberger and Saraste (2010, 78-82) there are special Business guanxis including sales and distribution networks. These also include chambers of commerce. In the production sector, foreign companies have to rely on manufacturers' networks. If the foreign party understands guanxi in the right way, this kind of guanxi can ensure the quality of the flat, or even the functioning of the production schedule. Strong Chinese guanxi might be more attractive than a legal agreement.

Havren and Rutanen (154) have learned also another important Chinese concept related to Guanxi is mianzi, the face. The face can be maintained, given or lost. Maintaining the face in every circumstance is extremely important.

3.4.3 Getting contract with Chinese

The Chinese "prefer to have co-operative approach to negotiations rather than bargaining" mentioned Chaney and Martin (2007, 254). They believe in win-win strategy in which both sides will be "winners". But according Havren and Rutanen (173) experienced businessman Fang says "the problems don't start when negotiating; they will start after the contract have been signed with Chinese." Signing a trade contract with Chinese and getting a trade is said to be a long process. This is according to Vilkuina (2016) mainly because Chinese do business with "friends".

First there have to be trust among the business partners claim Havren and Rutanen (170). Even the best contract doesn't place that kind of trust before the real contract. Chinese prefer to write so called Letter of intent (LOI) or memorandum of understanding (MOU) according to Havren and Rutanen (171). These are not legal contract and don't have anything to do with the real contract. These only mean that the partners take seriously the negotiations.

According to Chaney and Martin (272) "Chinese nonverbal and verbal information are more important than formal written documents and everything that has been written needs to be discussed". China is considered a collective culture and western culture individual according to Chaney and Martin (64) China is also considered high-context culture (western low-context culture) in which oral agreements are considered binding, and written ones are flexible writes Chaney and Martin (227).

After signing the contract the real work will start and there might be several changes to original contract. Suksi (2016) tells in the interview that it took several years to get the final underwritten contract and to get in the dinner party in Finland as shown in picture 2. (Suksi 2016).



Picture 2. Finnish and Chinese together celebrating signing the contract by having dinner in Finland. (Suksi 2016).

3.4.4 Chinese workforce

There are differences in culture of work life between west and east. For example there may occur problems between the Western leaders and Chinese workers.

According to Vanhnacker and Weldon (1999, 47) this is due to the different cultures, values, communication methods and ways of resolving conflicts as well as linguistic difficulties. The Chinese workers expect to receive clear orders and instructions from superiors. This is due to the Chinese education system, which does not encourage individual thinking or creativity.

The Director is expected to make an important decision for all. The collective cultural managers are expected to know more than the subject matters. Employees do not question their leader's decision, even if this would be the wrong.

Chinese individuals expect the leaders a larger care than in the West.

The Chinese are more loyal to the groups and to the superior than the company.

According to Pietarinen (2010, 83-84) salary and training can be the motivating factors to remain in a firm. China's mature economies annual wage increase is about 7-8 %. The change of Employee is typically about 25 % in a year. If the company has stability the change may be 7 %, same as in Finland. The threshold to change jobs is lower in China than in the West.

According discussions and student life experiences I had in China students normally don't have practical work experience when they graduate. Parents and family support students in their studies and they do not go to work. This phenomenon is also supported by Pietarinen (85).

3.5 Common obstacles and key factor for performance for Foreign companies in China

In this thesis are studied the experiences Finnish clean tech companies have had in China, both key factors for success and obstacles. In this chapter is studied what are the most common obstacles in general for foreign companies in China as well as the key factors for success.

3.5.1 The Most Common Obstacles for doing business in China

There are some obstacles or concerns doing business in China for foreigners. Here are listed the most popular business concerns identified by companies from USA that have invested in China (USA Commercial Chamber 2013):

1. Cost Increases
2. Competition with Chinese Companies
3. Administrative Licensing
3. Human Resources
5. Intellectual Property Rights Enforcement
6. Implementation of Chinese Laws
7. Nondiscrimination and National Treatment
8. Transparency
9. Standards and Conformity Assessment
10. Foreign Investment Restrictions

According to Bain and Company [Ref. 27.7. 2016] human resources issues continue to be challenging, with labor costs and a shortage of qualified employees both making the list of top five challenges. But there are signs of progress in these issues.

Member companies of the US commercial chamber reported the regulatory environment as being a key factor hindering their ability to invest and grow. (USA Commercial chamber 2013).

According to journal research of Claver, Quer and Rienda (2010 [Ref. 10.9. 2016]) there are certain factors that affect foreign companies settling down in China, such as “cultural differences with the Chinese partner, the level of control by the foreign partner, entry timing, entry mode, the hiring of local employees or industry structure factors”.

Leakage of business secrets is a risk in China. It is a problem that is difficult to control. Products may be subject to copying. According to Pietarinen (2010, 87) in China the personnel change is a major problem. That is also a risk for leakage of secret information.

Private Waterhouse Coopers (2010 [Ref. 27.7. 2016]) presents that the reason of multiple challenges may be due to “China's peculiar historical, political and cultural environment without forgetting the geographical and demographic diversity, covering 20 provinces, a number of ethnic groups and hundreds of dialects”.

According to Baron and Holtbrügge (2013,114) China in general has a number of institutional weaknesses such as limited economic freedom, a broad and deep rampant corruption, and shortcomings in the judicial system. This kind of weaknesses is typical in developing economy.

3.5.2 Key Performance Factors of Foreign Firms

According to journal research of Claver, Quer and Rienda (2010) there are found some empirical key factors for success of foreign companies in China. These are shortly illustrated in the figure 1. In the study they rise several key factors meaningful for surviving in China as a foreigner: “*co-operation between partners, a contractual design adapted to local conditions, establishing guanxi-based relationships, longer past collaboration with the Chinese partner, experience derived from the number of years operating in China, the resource commitment by the foreign partner, the product relatedness between the subsidiary and the parent companies, following an analyzer strategy, location advantages in specific regions.*” Also certain Human Resources practices were mentioned like as “retention-oriented management practices or team problem-solving practices”.

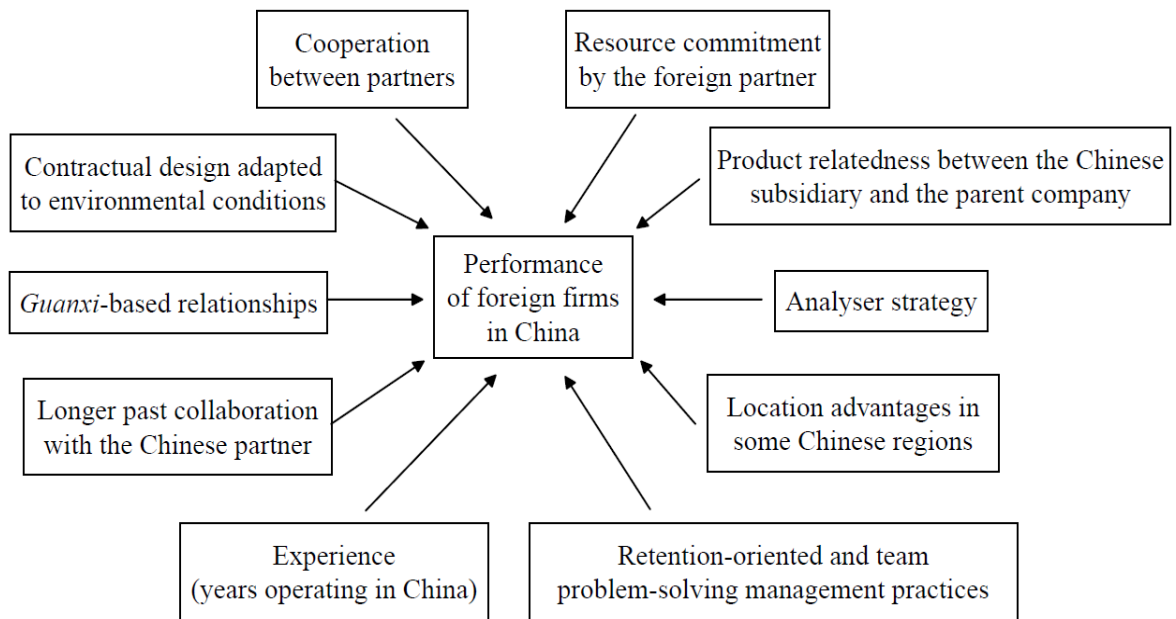


Figure 1. Key performance drivers of foreign companies in China. (Claver et al. 2010).

The research of the Claver et al. claim that relations between the parent company and the Chinese subsidiary can also affect performance. It can be improved “through strategic managerial actions; leveraging local resources by developing trust between parent and subsidiary and maintaining close control and integration with the parent” Claver et al. (2010).

According to Leavy (2015 [Ref. 9.9.2016]) the need to manage government relationships is just as crucial for foreign companies hoping to succeed in China. The foreign firm must be able to “show, at both the national and local level, how the organization/firm provides value for the country.” Also it is just as important to be well aligned at provincial and local levels about the government economic priorities. That is because regional party leaders have today more autonomy. Regions in China compete to support domestic and foreign commercial projects that are most aligned with state as well as national development targets.

3.6 Challenges for Finnish Companies in China

Opening the markets in China is more challenging than opening the markets in western markets because of the difference of cultures. According to Ikävalko (2016 [Ref.12.9. 2016]) interviewed CEO and founder of the Lifa Air International Mäkipää says that “there are no fast buck in China for Finnish companies.” However Ikävalko convince that five Finnish businessmen agree that China is very interesting market place and the situation to enter to Chinese markets would be very propitious for many Finnish companies. But according to Ikävalko one interviewed businessman, CEO Nykänen, from the Greenstream warns that “China is not a good hobby”. Mäkipää affirms that “China is the slowest way to get rich quick”. For Finnish companies there are some characteristics challenges that may differ from other nationalities. In this chapter there are mentioned a few challenges.

3.6.1 Business skills

Inadequate sales and marketing abilities have proved to be challenges for small and medium size companies pursuing China markets. According to Wang (2014, 36) many companies think too much about engineering and not about customers. Ahoniemi (38) have found out that understanding revenue logic in local markets decides the success in China; could you change the supply to answer the demand. According to Wang (35) In addition to high tech products, there is demand to inexpensive products that full fills datum level needs.

While producing in China, it's worth it to listen to Chinese designers and customers. According to Ahoniemi's conclusions (38) China as an operational environment showed that for interviewees it took months or years before they thought they had learned the local markets and systems.

Wang (40) found out in his interviews with development organizations key persons that Finnish SME's scaling ability has proven to be a great challenge in China. China has huge markets, manifold to corresponding markets in Finland for example in clean indoor air sector. Often for small companies limited working capital is a

challenge; it might take years before turnover in China is positive according an experienced businessman.

Finns have been criticized for being passive in answering emails and letters by Chinese. Also in different networking occasions Finns get together among themselves and don't create contacts with Chinese people. Personal relations and constant communication are important in China; investing in social networks is important. Interest and respect towards Chinese culture and history are necessary for succeeding in long term business. Havren and Rutanen (232-233) recommend that Finnish companies should have clear description of their company and products with examples.

An interviewed Finance manager Sandås from Ikävalko's article (2016) summaries "The more you think you know, the less you know".

According to Ikävalko's article interviewed CEO of the company MOLOK says that they know too little about the Chinese habits and way of living, especially in the rural areas. He highlights knowing the China and Chinese lifestyle. Their business is in the waste service, producing waste containers.

3.6.2 Working and doing business in China

Some companies haven't been fully prepared before establishing their company in China. According to Wang (36) when company starts production in China, they should send a trusted person, who knows the whole production process. Their task is also to protect information capital of the company. Chinese have their own customs that are almost impossible for foreigners to understand. One example is the practice is to use three- or fourfold accounting, in which might be different information for taxing, customs, owner or manager. According to Ahoniemi (28) unless foreign company keeps track on their investments, they might lose capital or their IPR-rights might even get stolen. Copying and violating IPR-rights has turned

to be the biggest problem according to Ahoniemi to Foreign Ministry research made in 2008.

According to Ikävalko's article (2016) also interviewed five businessmen had experienced Chinese copying the Finnish products, intellectual property rights, IPR, enforcements misdemeanor. Ikävalko's article advices by interviewed Sandås that patent and trademark guards have to be done really well. "There must be used in accordance with the agreements Finnish or Swiss law, in order to avoid problems at larger".

Ikävalko's interviewed Mäkipää explains that in China patent may get easily, but they are not the proper patents. They do not provide protection against copying.

Ikävalko writes that according to Halttunen, CEO from Halton, that the Company who is planning the business in China should think about its own unique expertise because the competition situation in the markets is quite hard in China. In Halton's case they act to facilitate the provision of comprehensive service maintenance products. The service chain is more difficult to copy.

Other problems that often come up are questions about certificates and customs such as duration and bureaucracy.

The amount of competitors and easiness of founding a small enterprise challenge especially international service providers in Chinese markets explains Ahoniemi (28).

According to Ahoniemi (29) foreseeing actions are also difficult, because preparing and executing legislation are opaque. In procurement Finnish companies have experienced that naive Finns are being scammed in the beginning. Chinese trading customs are far from European in this matter.

In Ikävalko's article (2016) Mäkipää highlights that when the Finnish company set up a business in China is useful to get Chinese partners as quickly as possible and as high level as possible, nevertheless, that the most blatant forms of corruption have disappeared in China.

Ahoniemi (38) gives an useful advice to FDIs, entering Chinese markets, that they should familiarize themselves with Catalogue for the Guidance of Foreign Investment Industries; the catalogue has a list of industries that are allowed for foreigners. The practice in China is "What isn't separately allowed in legislation is prohibited, especially for foreigners" states Ahoniemi (39).

3.7 The most popular areas for FDI's in China

The Chinese government has different investment policies for various areas in China. This is to reflect to regional needs. These policies are revised in time to time. According to Lam and Law (2012, 17) economic climate and market conditions are studied and then new policies and investment programs are created. These also have influences for Foreign Investors and need to be known well. After worldwide economic crisis The National Development and Reform Commission (NDRC) has been studying methods to foreign investments and approvals informs Lam and Law (17). The latest information can be found from their webpages: <http://en.nrdc.gov.cn/>.

The top business cities in China present Lam and Law (2012) that according the Forbes study (2009) were Shanghai, Guongzhou and Shenzhen. The majority of Finnish enterprises are located in the coastal provinces according to Heino (25-26). The most significant location targets are Shanghai and Beijing. Heino says that Jiangsu province is also ranked as top area among the Finnish companies. Shanghai and its surroundings belong to the Yangtze River Delta Economic Area, which is clearly Finnish businesses main priority. Another important area is the Pearl River estuary, including the Guangdong and Hong Kong. Inland Finnish companies are quite few and far between.

3.8 Help for soft landing to China for Finnish Companies

There are big opportunities for Finnish products and know-how in Chinese market. China is and will be one of Finland's most important trading partners because of

the rapid economic growth there. Because Finland can offer world class technology, especially in machine, paper and clean tech Industry and in research, development and innovations Finland have to get in to China markets. There are several organizations supporting the relations and bilateral trade between Finland and China (China-Finland Embassy 2016):

- Embassy of Finland in China
- Consulate General of Finland in Shanghai
- Consulate General of Finland in Hong Kong
- Finpro in China
- Tekes in China
- FinChi Innovation Center Shanghai
- Finnish Business Councils in Beijing, Shanghai, Guangdong
- Finnish Chamber of Commerce in Hong Kong

Many of these organizations do co-operation and it is quite easy to find best help and useful information about China and the business matters. In this thesis is explained FinChi, Finnish Innovation Center, as a model how an entrepreneur who is planning or is already in China markets will get practical help. FinChi has been successful platform for Finnish companies and in picture 3 indicates that it is a good practice for several companies, big or small (Suksi2016).



Picture 3. Finnish Companies in China that are customers of Finpro (Suksi 2016).

3.8.1 FinChi Service

Practical and effective way to set up a company in China, especially in Shanghai, is to use services of the FinChi. FinChi is a Finnish Innovation center that offers an easy access to Asian markets (FinPro 2016). FinChi was established in 2005. In 2016 it is part of Team Finland operations in China.

FinChi is headquartered in Shanghai Zhangjiang Hi-Tech Park and also has an office in Beijing. It offers Finnish companies easy access to local hi-tech companies in a variety of industries. It also offers office hotel with Finnish sauna and company of other Finnish entrepreneurs located in China. In picture 4 is shown how the premises are designed using the Finnish style and promoting Finland.



Picture 4. Finnish Innovation Center, Finchi. Office hotel for Finnish companies. (Suksi 2016).

Within FinChi platform “companies can have even two years market testing period without legal entity registration. With soft-landing service packages the company which will open the markets in Asia will be able to set up most of local operations already before having a legal entity in China” (FinPro 2016):

- Smart Virtual Office
- Turnkey Office Space
- Cash Management
- HR Sourcing Service
- Landing Care Service
- Staff Finder
- Logistics Support

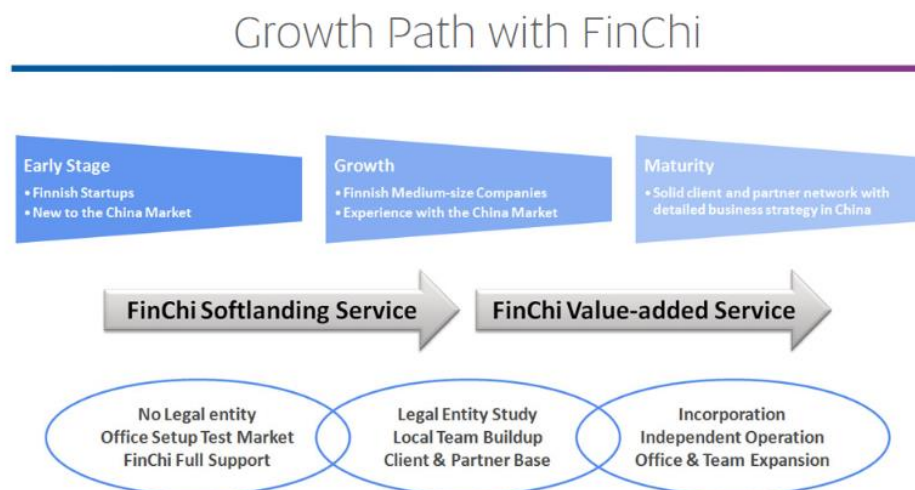


Figure 2. Flowsheet of the Growth Path with FinChi. (Finpro 2016).

With FinChi Virtual Office in China, the “company will receive a prestigious business address and telephone number, professional receptionist and support team and full access to FinChi facility at in-house price”.(Finpro 2016). The customer relationship may last even two years from the very beginning, early stage to more maturity moments with strategy processes. This is shown in the figure 2. (Finpro 2016).

3.8.2 Finnish Business Councils and Finnish society

Finnish Business Councils worldwide are also good to know for expats. In China they are located in Shanghai, Beijing and Guangdong. These councils are “forums to network with other likeminded individuals in order to share experiences and

avoiding doing same mistake that other expats”. (Tähtinen 2016). It is important to participate to happenings organized by Finnish organization in China to get contacts and useful information about business in China and also everyday life. The Finnish National Day gala is one of the biggest happenings in China for Finns in picture 6. (Suksi 2015).

According Finnish Business Councils web pages (FBCS 2016 [Ref. 8.9.2016]) they have 113 company members In Shanghai. In Beijing they have 32 companies as members and in Guangdong 10. In addition to corporate members the Councils have a number of individual members. They also have Young Professional activities for exchange students and younger expats living in China.

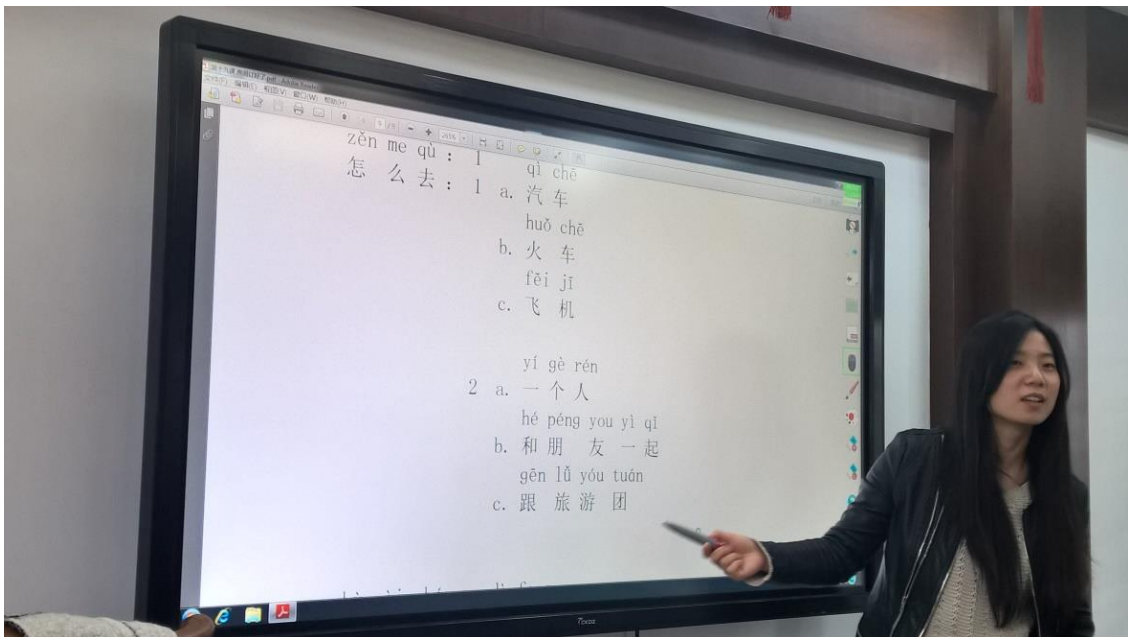
According to Finnish Business Council Beijing European SMEs can get support for their China activities from EU SME Centre, located in Beijing. It is a European Union funded initiative helping SMEs get ready to do business in China. “The Centre provides practical information, confidential advice, and training in the areas of business development, legal issues, standards, and HR to facilitate market access for European SMEs.” (EU SME Centre [Ref.8.9.2016]).

3.9 How to survive in China as an expatriate

In Shanghai there are in the year 2016 about 1000 expats from Finland. (Tähtinen 2016).

Chaney et al. (79) claim that for an enterprise it is an expensive and risk process to send its workers to open the business in a foreign country. But it is also rewarding process and big life change for a new expatriate, or shortly as an expat. Key features for the expat are the right attitude and adaptability, which consists of openness, flexibility, patience and humility. Asia, especially East Asia is very different from western way of life and there could be a cultural shock first starting a new life in China. According to Chaney et al. (75) it has been identified a special kind of cultural shock by Engholm (1991) who has identified “Asia Shock”. In this kind of shock there has founded five stages:

1. Frustration of the culture which include the language, the food and the local customs
2. Unwillingness to understand the rationale behind the local ways of doing things
3. Ethnocentricity; people from western world may label Asians dishonest because they seem to say another and to do another.
4. Racism, including the unflattering labeling of all Asians into such groups like Japs and coolies.
5. Avoidance of the culture; western people tend to form own clubs.



Picture 5. Learning the local language makes the expat's life easier. (Suksi 2016).

According to Chaney et al. (80) cultural shock may become expensive to a company because it often “results in the premature return of western businesspeople working overseas”. Those failing expats who will return too early have lack of the ability to understand and adapt to another culture’s way of living. Some companies have tested the expat candidates using short-term stays of two to three months to

determine candidate's potential for tolerating the culture. And after that test a longer stays if the results were positive for tested expat.

A person who plans to be expat has to adapt a different culture requires says Chaney et al. (78). "Personal qualifications needed when working in an unfamiliar culture include adaptability, flexibility, empathy, and tolerance. Good interpersonal skills are also needed" according to Chaney et al. (79). If a person is flexible and open, it's easier to understand the local customs and thereby adapt better. Many expats feel that if a person has the right attitude, he or she stacks up almost anywhere. China must also have the courage to go outside of your comfort zone, that is, to be perhaps a little adventurous. China's entering is a good idea to have an open mind and leave the prejudices of Finland. "You have to remember that, things can be done differently, and often things are done differently in China" says an experienced expat from Finland.

Language knowledge seems to give an expat an extra chance of succeeding in the host culture and country according to Chaney et al. (81). Chinese language is taught western people using "pinyards" because the Chinese characters are difficult to understand. This method is shown in picture 5 in which there are Finnish exchange students studying mandarin China. Also understanding the educational, political, economic and social system of a country is considered important Chaney et al. (82) continues. Humble mind is needed while living as an expat in China. Things do not always progress as planned, and plans may change very frequently, so patience is required. According to Ahoniemi (117) circumstances may be challenging, full security issues are rarely. Uncertainty and stress tolerance are important features.



Picture 6. Finnish expats celebrating Finnish National Day in December 2015 in Shanghai. (Suksi 2015).

4 CLEAN TECH AND EXPORT

China will become the world's largest market for clean tech business within the next 10 years. China has set a target to decrease emissions with 25 % from the 2012 level by 2017. This means that during the next five years China will invest more than 200 billion Euros in solutions to air pollution. (Finpro 2016 [Ref 24.4. 2016]).

According the Beautiful Beijing project (2016) there is a big need for clean tech products and in Finland there are lots of innovative companies producing these equipment. The 13th FYP strategy of China is also supporting the clean technology ideology.

4.1 Clean Technology

Clean Tech, also called "Clean Technology", means products, services, processes and technologies, that enhance sustainable use of natural resources. It also reduces negative environmental influences of the economical business. Some examples of branches that improve energy efficiency are recycling, developing solutions for renewable energy, information technology, sustainable solutions for traffic and electric motors and new solutions lightening.

There were in 2015 about 200 clean tech companies that were members of Clean Tech Finland. The companies offer products and services in different categories (Clean Tech Finland) 2016):

- air quality
- bioproducts and material
- clean water
- cleanweb and internet of things (iot)
- energy and resource efficiency
- renewables and smart grid
- smart transport and logistics

- waste-to-value.

The combined turnover for the Finnish clean tech business was about 25,8 billion euros in 2014. The exact amount of the companies is difficult to measure. The definition of “clean tech” is quite broad. Clean tech sector employees about 50 000 person in Finland. Clean tech exports exceeded 10 billion euros. The estimated annual growth rate was 5 %.(Finpro 2016 [Ref. 24.4. 2016]).

4.2 Clean tech products for export

Regardless the economic crisis in western world that affects worldwide, Chinese clean tech sector is still growing fastest phase in the world. China is ranked among top three countries in portion of GDP. Chinese annual investments for environmental pollution control sector are around 100 billion euros. Renewable energy production target by 2030 will be 20% of all energy generated. Carbon intensity target from the years 2005 to 2020 will decrease -49, 5%. (Finpro 2016).

The most important export countries for Finland are Germany, China, Russia and India according the Clean Tech Finland (2016). According the FinPro most interesting Clean tech markets for Finnish clean tech companies in 2010 were in China (share 47% of the all export), Germany (24%) , USA (22%) and Sweden (20%). Already then China was considered the most potential export country.

The state founded organization Clean Tech Finland is a hub of Finnish clean tech expertizes that aggregates over 80 clean tech companies. They are targeting to international markets fostering sustainable growth. Clean Tech Finland and Finpro have several development programs and support for those companies: fact finding trips, financial support, adviser services etc. One good action in which the network of Finpro is remarkable is finding right Chinese partners for Finnish companies. Clean indoor air has potential markets in China; this was mentioned in the Introduction chapter. Finnish Lifa Air Ltd which is a manufacture of clean indoor air purifier is now doing co-operation with Chinese consumer electronics manufacturer Edifier Ltd. This contact with the companies was organized by FinPro. (Lifa Air

2015 [Ref. 24.9. 2016]). In picture 7 is a proof of this co-operation, the first purifiers produced in China. (Suksi 2016).

The target of Clean Tech Finland is to double the amount of works and turnover of the companies. Export is the key element for that. According to Wang (2014, 23) the growth of clean tech enterprises, the increase in the sustainable use of natural resources and an efficient circular economy will contribute to the creation of new jobs.

Finland has invested public funding in clean technology innovation for about a de-cennium 200–250 million euro each year. When summing up both the public and private funding, it makes over a billion euro per year. (Finpro 2016).



Picture 7. Clean indoor air has potential markets in China. Finnish Lifa Air Ltd is doing co-operation with Chinese Company Edison. Clean Air Purifiers. (Suksi 2016).

5 RESEARCH

The used methodology of the research in the thesis should provide a clear picture on how the research is structured and carried out. The topic of the thesis should match the selected research method. Data collection will support the methodology together with relevant theories to lead to high quality conclusions.

In this thesis primary and secondary data are used as empirical input for the analysis. The primary data used in this thesis comes from the theme interviews. The secondary material is sourced in the field of public material; publications, organization documentation, scientific reports, studies and statistics from the internet.

5.1 Research Method

In research and study, two frequently used methods are qualitative method and quantitative method. In literature, quantitative and qualitative research is often presented as opposites, but increasingly these two research approach is seen as more complementary than competing trends (Hirsjärvi, Remes & Sajavaara 2007, 8). In figure 3 (Alasuutari 2011) is illustrated the interface of qualitative and quantitative research and showed that in previous one there is analysis of the results and the latter one there is a survey method. Qualitative research is a term which can mean mixed group the various types of research and analyzing methods. It is a method to implement a human scientific research. (Alasuutari 2011 [Ref. 9.6. 2015]).

According to Uusitalo (1991, 79) in qualitative research the basic is an open question or theme. The interpretation process goes through the entire research. In quantitative research there is no return after the critical points to the previous points due to a cause and effect relationship between stages writes Uusitalo (80).

The basic form of the quantitative interview is a structured question.

A significant difference between qualitative and quantitative research methods is in selecting the target groups: quantitative research interviews they are generally chosen are as random, while qualitative research interviews are with selected individuals.

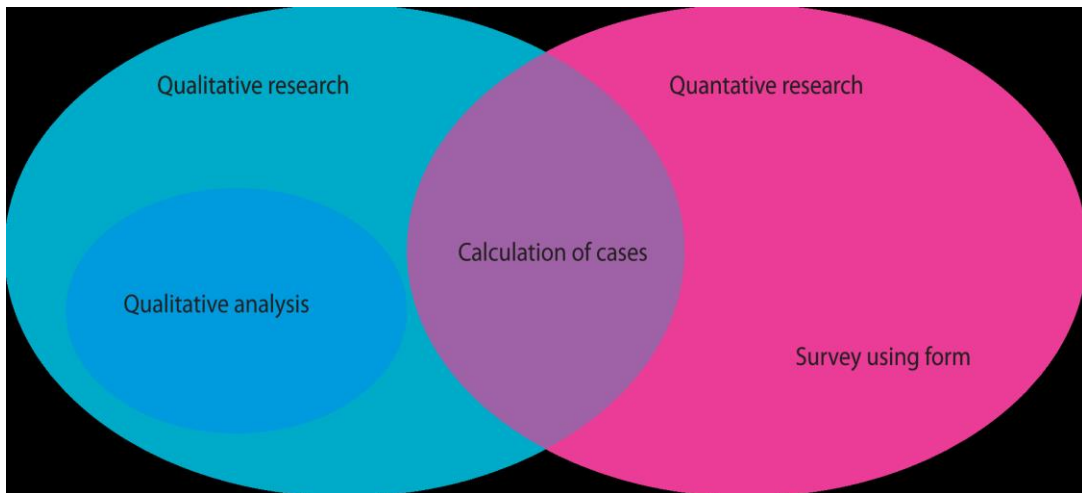


Figure 3. The interface of quantitative and qualitative research. (Alasuutari 2011).

5.1.1 Qualitative research

According to Hirsjärvi, Remes and Sajavaara (2007, 176) in the qualitative research the data is collected from interviews mostly. It is usually the presentation of the open questions or discussion topics from the selected target group. In qualitative research, objectivity is the fact that the researcher don't mix with his or her own perceptions, thoughts, and attitudes towards the phenomenon under scrutiny. The researcher tries to understand the interviewee's perspectives and opinions. Researcher seeks to interact with the interviewed person by having in-depth discussion and by presenting further issues as necessary.

The most problematic phase of qualitative research is to make interpretations according to Hirsjärvi et al. (177). There aren't any formal instructions. In the qualitative research there isn't a formula to measure the reliability of the results. The researcher should nevertheless aim at a theoretical interpretation of the level of thinking. The scientific community is the final approval of justified assumptions.

5.1.2 Theme interviews

Research Interviews can be divided into three different categories (Hirsjärvi et al. 2007, 203-204):

- structured interview or interview form
- theme interview
- open interview.

According to Hirsjärvi et al. (204) structured interview format and presentation of the issues are entirely pre-assigned, while in an open interview there is not a solid frame. The theme interview is a structured interview and an open intermediate, which is dealt with topics defined in advance, or theme areas, but researchers can put their questions in any order.

In this thesis, the theme interviews are selected as the main research strategy. This is because of the data is collected using interviews and open discussions with the selected persons who have enough experience of living in China and doing business there. The case selection is very important for this study to get the real understanding about all the experiences and especially the obstacles companies have faced in China.

5.2 Data Collection

Case study is often connected with interviews, which is an important approach for primary data collection. Other sources, like secondary data, are also helpful for theme interviews because researchers who are interviewing should have excellent background information about the theme.

Since qualitative research aimed at a relatively small sample of describing and understanding of a particular phenomenon or activities it is particularly important according to Tuomi and Sarajärvi (2009, 76) that the information will be collected from a person who has a lot of knowledge and experience on the particular topic. In this study, the target individual cases have been selected on the basis of their China market know-how and experience. The branch is clean tech or something

related to that and company size is small (under 15 persons) or medium size (under 250 persons). Interviews were made face to face, because the interview situation gives more detailed information and some thoughts or ideas that may be really important for the result. Two of the companies were interviewed in China and two others in Finland.

5.3 Analyzing the data

The collected data can be analyzed in many ways.

According to Hirsjärvi et al. (219) they can be divided roughly in two ways; explanatory approach and understanding -seeking approach. In explanatory approach statistical analysis and making conclusions are commonly used. Qualitative analysis and making conclusions are used in understanding -seeking approach.

Qualitative data analysis methods are according to Hirsjärvi et al. (220):

- thematic approach
- the typing
- content specification
- discourse analysis
- conversation analysis.

Thematic analysis is used in qualitative research and it focuses on examining themes within data. This method emphasizes organization and rich description of the data set. Thematic analysis goes beyond simply counting phrases or words in a text and moves on to identifying implicit and explicit ideas within the data.

Qualitative analyze according to Alasuutari (2011 [Ref. 28.8. 2016]) can be divided two stages; simplification of observations and interpretation of results. Observations are simplified having the certain perspective and then they will be cut putting same kind of themes together, thematising. The interpretation of the results are searched the meanings for the observations.

In this thesis the method analyzing the results from the interviews is thematising. This method is ideal for this research analysis because the principle is a versatile and detailed examination of the data. Also the themes of the interview make up their own classification. These are logical to analyze and compare the results with the theory.

5.4 The reliability of the results

To improve the reliability of the study it is explained exactly how the study has been carried out. It helps to improve the reliability of the qualitative research. Interviews made in this thesis are reported, also the conditions and place they were done.

The latest sources are used as much as possible. This is because the amount of the companies and economic data changes fast.

The size of the collected data is defined when the saturation point is reached according to Eskola and Suoranta (1999, 62); the same kind of answers from the interviewed represents of the companies. The answers do not give any new information any more for the results. It is then interpreted that there are enough data for this issue.

In this study were interviewed four companies which had little different products and way of doing business in China. Common factor was that there were chosen from the clean tech sector and they represent SMEs and have been located in China for several years.

6 INTERVIEWED COMPANIES

In this chapter there are presented four cases that were examined in the study.

In the thesis there were studied four Finnish SME companies which have operations in China. At first the companies involved in the study are presented briefly; the business idea and the products, turnover and personnel, the Chinese company and their business in China. Next there are summaries of the interviews.

6.1 Company A

Company A is Finland-based company, whose roots date back to 1929. Today there are as a leading supplier of waste refining and biomass fuels handling systems. The company is owned by the employees. Turnover was in the year 2015 about 62 million €. Employees are 100; eight of them are located in China.

Their major customers are waste management companies, cement manufacturing companies and the power generation industry. According to the company web-pages their mission is to create value for their customers by delivering outstanding, customized technology solutions and services, based on modular design, high availability and low lifetime costs.

Key markets are in Europe and Asia. In China, Shanghai they have subsidiary of Sales and Service since 2012. The company is Whole owned (WFOE) by the Finnish parent company. Today there are two workers from Finland, the managers and six from China. The future in China looks promising for the products; there will be more and more demand for waste handling systems.

6.2 The Interview of Company A

This interview was made at company A's office in Shanghai. Interview lasted about two hours.

Both the China unit manager and country manager interviewed assured that their company was right now in China market at the right time. Environment technology and business are increasing In China. China's five-year plan, published 2016, strongly supports these fields. Company's future and market appear great and there is promise of growth.

Company started their work in China in earlier in this study presented FinChi innovation center and has stayed there ever since. When the amount of employees has increased they have been able to get more space and services, which has been convenient. Company was interviewed in their office in Shanghai. They buy the conveyors they need from China.

Company's China unit manager has a long lasting relationship with China; he has studied and lived in China for over 20 years, so he knows the language and customs. The other manager also has fair knowledge of Chinese, which the company feels is very useful. Knowing the Chinese language advances creating personal relations, this is of great importance in Chinese business. The phenomenon is *guanxi*, ergo networking. We talked a lot about *guanxi*, because foreign companies need to know and understand it before settling in China. With *guanxi* it is possible to advance various customs; delivery schedules, late payments and also receive help when there is issues. The manager meets with the management of the customer companies a few times a year; these visits have a significant impact on business relations. In these meetings you get a good evaluation if the customers are satisfied with the product and maybe even some info if there are problems with the product. In China making business and sales is quite slow and "in China the sales are made within friends", says the manager of the Company. Ergo, personal relations should be taken care of in China. Especially if there is not a Letter of Credits. With *guanxi*, even a foreigner might be able to meet with the senior management that might be otherwise impossible, because China has a high hierarchy.

Lunch and dinner are extremely important part of business in China, it has about 60-70% importance, says the company manager.

In China, employees, especially officers, have a positive drive and attitude. China is taking first place in world economy, this acts as an inspiration. China is fairly

young country in technology; it opened to the world in 1978. Production workers are mostly good, but supervision is important. They have experience of problem situations; Management wasn't alert and workers learned a degree of laziness. The problem was solved by renewing the management. Control is needed among production, because workers aren't used to taking responsibility, the orders must come from higher level.

Turnover is about 10 % in a year according to the company, it slightly varies depending on area and what kind of work force is available. Salary works as a lure.

Delivery times are generally optimistic; you should prepare for a few months delay, at least with large deliveries. China doesn't close off during summer holidays like Finland, the production is always running.

China is a large country and as there are differences between European countries, there are differences between China's provinces. "You can't think black and white about things in China", says the company manager. They don't have experiences about problems with electricity supply among other things and infrastructure is great. Slow internet occasionally creates issues. The problem is the so-called China firewall, which is why companies use VPN-connection, which means going around it through some other country outside China, usually Hong Kong.

In the end of the interview we focused on the life of expats in China with its pros and cons. The company expats had been in the country for fairly long, so they had a lot of experiences. They felt that life in China was safe and there was lesser amount of bureaucracy compared to Finland. Surveillance creates stable and constant political situation. You need to have an open mind, China is after all, very different than Finland. Downside is that friends and family are far away in Finland. There are great vacation spots close by, which is an advantage.

The problems with pollution have made some expats to move back to Finland. The amount of expats has decreased and the companies are running more and more with locals.

6.3 Company B

The clean tech company B is the forerunner of plate and shell heat exchanger technology and a company known for its innovativeness. Technology developed by themselves is utilized worldwide in various demanding processes in the oil and gas, chemical and process, energy and refrigeration industries. With headquarters and manufacturing facilities in South-West Finland,

The company has subsidiaries in the U.K., Germany, China and the U.S., and employs 260 people. The share of export is over 90% of the company's total sales, and since its establishment in 1990, the company has experienced strong growth.

In China Company set up their subsidiary 2012. Today they have production Zhangjiayang, about 100 km to the north of Shanghai. There are now working 15 workers. At Shanghai is located the head quarter in which there are 6 salesperson and Chinese CEO. The company is whole owned by Finnish company.

The share of the Chinese turnover is about 5% of the total, which is over 40 M€ in 2015.

6.4 The Interview of company B

The interviewed was made in Finland, in the company's head quarter. The interviewed person was the production manager who had been in China setting up the subsidiary. He was there over two years and has still the connections to China almost daily.

He had a Chinese expert who had also strong connections to Finland as a support person from the very beginning. It was necessary. He also got good advices and support besides the national official development organizations, like Finpro, from the other finish companies managers. In fact they production unit with 15 workers was located to Zhangjiayang in the same hall in which there were another finish company already. In this way they have the synergy advantage. He also mentioned in the interview that he asked the contacts and references for trusted Chi-

nese suppliers of production machines and raw materials from the Finish contacts in China. So, it is important and useful to connect with the Finish society in China. This is good thing to know and remember for new comers in China.

Another important thing he learned was that it is a good practice to “ask and ask again” if everything have been understood the right way. And even thought Chinese will answer that yes, it necessary is not like that.” But it is also useful to make sure afterwards if they have got the right message. Chinese workers are used to have command from managers. They are not used to do their own initiatives and are so independent and spontaneous than western employees. The effective supervising is necessary.

He said that you can't blame Chinese if the things don't work in the way they should. There are mostly problems with communication and cultural differences. He told that in the location of the subsidiary is in China and that's why the Chinese customs rules. Foreigners should honor way of doing things Chinese way and accept and embrace those.

The employee turnover in the subsidiary has been low in China. He thought that it depends of the location and the working conditions. In some areas the variability of the workers is higher, for example if there are demand and competition of the workers and perhaps better salaries.

When they were acquiring machines for the production there had some problems with some Chinese suppliers. There were problems with the schedules and functions of the machines. Sometimes the reclamation helped, sometimes not. It is good to have some extra finance for that kind of problems. In this there are differences comparing to Finish way doing business or the problems may come from different cultural backgrounds. They also had some problems with the premises and lessee. The building culture is quite different from Scandinavian style. They could solve the problems somehow afterwards and have been in the same production building ever since, already almost five years. Now the production there is running under the Chinese managers, there is anyone from Finland. Infrastructure, the electricity, roads, internet etc. have been working well, there haven't been any

problems. In the beginning “it was a small surprise that everything in that matter worked so well” the production manager wandered.

Living as an expat was exciting for two years. The working days were busy and long, partly because the long commutes which took time. He had his own chaffer; this is a very common way to move for foreigners.

Belonging to Finnish society and social life made to life enjoyable, there were lots activities in Shanghai in the weekends. The pollution problem is one negative thing living there, especially if you have family with you. That is the main reason to move back to Finland. If you would live there longer to learn the mandarin Chinese would make the life easier and comfortable.

About the future, he told that they have production only for market in China. The bigger deliveries to China they produce in Finland. They are not planning to invest more in China in the near future.

Asian markets are about 15-20 % of the turnover. If there will be some changes in the regulations markets would grow.

6.5 Company C

Company C is an international expert in material handling.

The company is globally operating supplier of highly automated internal logistic, storing and packing systems for the metal, paper and converting industries. Company’s highly automated handling, packing and strafing systems improve mill’s internal logistics and maintains their product quality during transportation.

During nearly four decades, they have delivered over 400 handling and packing projects and approximately 120 storage systems. The company employs over 150 professionals, of which 100 are situated in Finland. They turnover is about 40 Million euros and comes mostly from export. The head quarter is located in Western Finland.

The material flow knowledge and technically capable systems have made this company a global leader in material handling field of business.

The company is classified as a clean tech company because of the solutions to save material and energy over 20% compared to competitors.

In China there have a small unit including four persons, two Chinese and two from Finland. Company is WFOE. Asia and especially steel industry sector has been their target for about 10 years. China is coming more and more important customer, the years 2015 and 2016 have been epoch-making getting contracts with big Chinese State owned enterprises, SOEs.

6.6 Interview of Company C

The interview was made in China and in Finland. The interviewed person was the sales manager who had the longest history and the best knowledge in the company about export and Asian markets. Also a Finnish sales person that lives in China as an expat was interviewed.

At first we were discussing about the infrastructure and how it is working in China. Otherwise everything have been working amazingly well but using the internet is problematic, very often the connection is too slow even though the Chinese agent have provided a Chinese 4G mobile data connection. If you need to upload some data bases to company's host server it takes time or you have to do it many times before it succeeds. Also the Great Fire Wall makes using internet more complicated than in western, there are no access to several applications.

China is a big country and it takes time to move from city to another, even inside the big city like Shanghai it takes hours to move, especially in rush hours. The colleagues from Finland don't always understand the destinations and delay to move from the place to another when they plan their business trips and attending to meetings in China. The railway and airports are excellent and very modern. The flights are normally in time unless there isn't very rainy weather.

The company is marketing its products very actively on China. They have a strong presence in China participating fairs and seminars. They have found out that fairs are excellent way to find new customers; this is the way they got the contact with one of the biggest steel company in China 2008. It took seven years to get project with them. Getting them as a customer it will be a remarkable reference. Afterwards it will be easier to find new customers and get contracts. They have developed that kind of concept that it is easy to expand to other plants, that company have hundreds of plants all over China.

In Business negotiations there have be involved a person who is Chinese and speaks fluent Chinese and knows the products well. As a technical support there are company representatives from Finland who should know technical data quite fast. It is good to have some gray hair and age, and the big size is also not so bad- it shows prestige and credibility says the sales manager.

Deliveries to such big companies are excellent references, which certainly will give them more projects and new customers, so the future looks promising says the sales manager.

The company has experience of the “Chinese flexible schedules”. They are very often delays in the beginning, but somehow things will be done.

6.7 Company D

The Company D was founded in July 2001 in Helsinki, Finland. The founders were three climate experts from energy and environmental markets. The business was something quite new in the climate markets one of the first. The company soon became the most successful intermediary in the green certificate, effectively green electricity, markets. Clients' demands grew and the intermediary was expanded into portfolio management. In 2006 the company started asset management business and reached success launching one energy fund and four carbon funds.

The company has been focusing on international markets from the very beginning. Since 2006 the role of China has steadily grown in the company's business. Apart from China, the company has managed clean development mechanism (CDM)

projects in Ukraine, Russia, Estonia, Latvia, Lithuania, South Africa, Jordan and Latin America. Altogether, the company has been involved in over 100 emissions reduction projects around the globe.

The company has the capability of developing new, ground-breaking business concepts and implementing those

In China their mission is to become one of the major providers of energy management services. The Company aim to increase energy efficiency of Chinese industry by using the most robust and world class technologies.

The company's products are services in the climate and renewable energy markets and delivering energy efficiency projects in China. China is currently key target area where they have a particular focus on energy efficiency investments.

The Company is Joint Venture with Chinese partner.

In China the company has 13 experts in the office of Shanghai. In Hong Kong they also have team of 13 experts. The profits are invested to new projects. Turnover changes and depends on the projects.

According to CEO "the company is determined to be a part of fighting against climate change".

6.8 Interview of Company D

The interview was made at company's head quarter in the capital of Finland, Helsinki. Interviewed person was the CEO who had over 10 year experience of doing business in China.

They have experienced several difficulties first when they started their business activities in China. According the CEO first three years were the years to learn all kind of difficulties there. But after that things turn to be better; they founded the real partner who had good and trustable contacts in China.

First thing CEO learned was that "Western, European people are outsiders in the Chinese set of values." Second important thing he has learned according his own experiences is that Joint Venture partner have to be trustable and expert; it is more difficult to get rid of the Joint Venture than to found it. From the company D it took six months to get rid of that unworthy and treacherous Chinese partner and the bureaucracy was really laborious. One good advice for new comers to China is that the Joint Venture partner has to be chosen carefully.

One problem to choose the Chinese partner is that in China there is not the public register of firms and it is difficult to get the economical and other kind of background information of the Chinese companies.

According the CEO the co-operation with the first Joint Venture partner did not work well because they had so strong own will, they changed the way of doing things by themselves, didn't tell what is happening etc. After that experience of Joint Venture they had representative office for a while, about two years. Markets for emission controlling looked very promising in China. The problem was that nobody knew the small Finnish company, they did not have references and they were quite an invisible in the clean technology markets in China.

At that time they first had only some projects that were quite inconsiderable. They met and tried to have co-operation with some agents who turned to be cheaters; somehow they changed the role depending the situation; at first they were consultants, and then next they were authoritative etc. So, they were cheating in a way.

The CEO told one warning example about one project to one power plant. The Chinese agent had organized a visit for the company D: it wasn't the power plant they wanted to visit and all the staff and representatives were hired to act as professionals.

So they learned not to trust anyone and were quite skeptic for having success in China.

Things started to turn better about six years ago. Finally they founded a promising, trustable Chinese partner and there was a significant project that could be a good reference. They took a risk and wanted to try in China once more, last time

said the CEO. The project was successful and made towards other projects. The trust between the new Joint Venture partners also grew. They got the negotiations with the right key persons who had power to make decisions.

They have used to support of the Finnish development organizations like FinPro, Finfund, Tekes etc. and recommend those for new comers. Continuous contacting The State Department and embassy have been very useful for getting new contacts, information and bring the Company visible for Chinese.

The financing has a big role in the Company's business. About running the business in China the CEO told that the Chinese bank system is very different from the Finnish. For example firm have to open many accounts for different cost elements. Moving money from an account to another is very complicated system. Also negotiating the lawns is difficult in Chinese banks. They have the Finnish Nordea bank as an operating bank also, another one is Chinese.

There are also so called "shadow banks" in which things an easier to handle, but you have to have contacts to those. In this Chinese partners who have the right contacts are very useful. Their Joint Venture Partner has the contacts to Chinese Bank world and energy sector.

The CEO has learned that is better that money transactions are controlled from Finland. They use the services of the international accounting office in China. Also in Finland is planned all strategic management. Chinese have their own habits and without a strong control from Finland they would start to use them.

Chinese are good in playing with the time. They might tell that everything is running well and as planned but that might not to be the truth. Things might not to be like they should and it better check the real situation. Chinese may want to protect their face. "It is better to check, not to trust" says the CEO. The projects don't proceed in the way Finnish engineer have used to: step by step. There are delays, then something proceeds fast, but after all, the result will be promising.

In the year 2016 the money transactions to Finland have become more difficult than before, for example salaries from Shanghai to Finland is more difficult to get

in time. From the service business is more trouble to get transactions than from productive business.

The company's Chinese experts were first about 30 year old novices but eager and passionate to learn more about energy saving techniques and the concept the company had created. Today they are experienced professionals and turnover has not been the problem. This is perhaps because the brand the company has created. But one important thing the CEO also has learned is that there are no secrets in China. "It is the most transparent society in the world" according the CEO. "When you belong to right guanxi you have tea access to talk with the persons who have knowledge and power" says the CEO. There are bids that are already in advance agreed who will get the deal. So it is good to know also that and not to waste too much time and energy for those bids.

There are very often changes among the company management staff in China according the interviewed CEO. He thinks that this is part of the Chinese business culture and the reason could be that no one can get too much power and knowledge about that business. Anyhow, you have to "make a new entry to managerial level of the key companies, again and again and build the contacts". This takes time but is very important thinks the CEO.

The future of the company looks today very promising today, but in China the change is constant and you never know what will come next says the CEO. He thinks that the greatest assets are their China knowledge, networks and staff of 35 world-class experts. "Our strength is in our capability to renew the business whenever needed, and this is made possible by our key resource: our visionary, highly talented staff"

In the end of the interviewed were talked about the expats life shortly and he mentioned that it is difficult to get Finnish staff as expats to China, especially families. The air pollution is the main reason for that. You have to be humble and to accept and to embrace Chinese way of living and doing things. They are the culture of the long history summaries the CEO, who wants to learn more and more about China.

7 THE EXPERIENCES OF THE FINNISH CLEAN TECH SMES

In the thesis were interviewed four clean tech companies which were small or medium size (SMEs) and had been in China several years. Three of the companies were delivering bigger projects and one was producing besides projects, heat exchange products for industrial customers. Three of them were wholly foreign owned enterprises (WFOE) by the Finnish parent company, one was joint venture (JV) with Chinese partner. They also had experiences of representative offices.

In the thesis thematising was used as an analyzing method. The idea of thematising in this study was to find common features from the interviews, which came up from the answers. There was a formula for interview and some themes, but in practice every interview and results were different. Some themes, like corruption and income repatriation turn to be challenging to get information; corruption is a “taboo” and too sensitive subject for a public research. Income repatriation was not actual for the interviewed companies, or in one case they invested the profits to new projects in China. Also theme about the taxation planning was useless to talk, because they all had Chinese experts doing all the matters in which had to have connections to Chinese authorities, the bureaucracy. The data collected in interviews gives information for the subject of this thesis. There is practical information for the companies who will set up their business in China in the near future.

The size of the companies interviewed, SMEs, compared to global and famous Finnish companies like Kone or Nokia has effects in marketing; when entering Chinese markets those SMEs are quite invisible and unknown. Second thing is that it takes several years for them that turnover will be profitable in China and financing is needed for those unprofitable years. Also the demand in China is multiple compared to Finnish markets and scaling need more financing. There are risks when choosing a Chinese partner; interviewed had met unfaithful partners. That might be baneful for SME.

7.1 Experiences of Chinese business culture

In China making business and sales is quite slow and “in China the sales are made within friends”, says the manager of the Company A. Especially in China personal relations should be taken care of. With guanxi even a foreigner might be able to meet with the senior management that might be otherwise impossible, because China has a high hierarchy.

Lunch and dinner are extremely important part of business in China, it has about 60-70% importance, says the manager from company A.

It is almost a must to have Chinese partner or salesman involved in the negotiations, Finnish team there as a support giving the technical facts and prices explained the sales manager from the company B.

These were the experiences from the interviewed. The theory agrees especially with the Chinese guanxi phenomena, which is very important network system to promote business in China.

7.1.1 Guanxi

With guanxi it is possible to advance various customs; delivery schedules, late payments and also receive help when there is issues. The manager meets with the management of the customer companies a few times a year; these visits have a significant impact on business relations. In these meetings you get a good evaluation if the customers are satisfied with the product and maybe even some info if there are problems with the product.

“When you belong to right guanxi you have tea access to talk with the persons who have knowledge and power” says the CEO of the Company D. There are bids that are already in advance agreed who will get the deal. So it is good to know also that and not to lose too much time and energy for those bids.

Guanxi-based relationships are one of the key performance drivers according to Claver et al. (2015).

According to Lehberger et al. (78-82) if the foreign partner understands guanxi in the right way, this kind of guanxi can ensure the quality of the flat, or even the functioning of the production schedule.

According to Leavy (2015) the need to manage government relationships is just as crucial for foreign companies hoping to succeed in China. The foreign firm must be able to be well aligned at provincial and local levels about the government economic priorities. Belonging to right guanxi is part of that. This subject was manifested also in the interviews, especially the companies A and D mentioned about this. The theory is supporting the results from the interviews about the meaning of the guanxi; belonging to right networks in China is very meaningful for succeeding in business in China. Also promoting company in high political level came up in theory according to Leavy and was supported from the companies. The experiences of the guanxi in the interviews and theory were congruent.

7.1.2 Chinese as partners

First thing CEO from the company C learned was that "Western, European people are outsiders in the Chinese set of values." Second important thing he had learned according his own experiences is that Joint Venture partner have to be trustable and expert; it is more difficult to get rid of the Joint Venture than to found it.

Chinese are good in playing with time according three companies which were interviewed. They might tell that everything is running well and as planned but that might not to be the truth. Things might not to be like they should and it is better check the real situation. Chinese may want to protect their face. "It is better to check, not to trust" says the product manager from company B. The projects don't proceed in the way Finnish engineer have used to: step by step. There are delays, then something proceeds fast, but after all, the result will be promising.

There are changes among the company management staff very often in China. The CEO from the company D thinks that this is part of the Chinese business culture and the reason could be that no one can get too much power and knowledge about that business. Anyhow, you have to make a new entry to managerial level of

the key companies, again and again and build the contacts. This takes time but is very important according the company D.

According to Ahoniemi (2010) in procurement Finnish companies have experienced that naive Finns are being scammed in the beginning. Chinese trading customs are far from European in this matter. Interviewed companies all had experiences and stories to tell about this. The theory is supporting the states companies told about Chinese trading customs. Ikävalko's article and the experiences of Finnish businessman in China support the statements that interviewed said; Chinese have their own customs doing business and unexperienced Finnish are easy to cheat. This is due to collision of the different cultures and the way of doing business.

7.2 Obstacles

In the thesis the most important value was that the new comers would not do the same mistakes than the companies who already have experienced setting up their business in China. In the interviews were meant to find especially obstacles the interviewed companies had faced. There is a list of some general obstacles in sheet for interviews collected from general data. The list was used in the interviews, but the conversations were quite straggly and versatile. In this chapter are listed common obstacles and the experiences under each theme using partly the list?

7.2.1 Infrastructure

In this thesis infrastructure covers location, internet, premises, logistics and electricity.

In general, infrastructure was experienced working very well. In fact, many interviewed told that they were at first surprised how high technologically for example the public traffic is organized. All the new airports and high speed trains and railway system are working in normal situation excellent. Except when it is raining

hard there are some delays in air traffic. There are no strikes in China or they are very rare.

The premises interviewed experienced also were very satisfied. Especially the FinChi office hotel is an excellent concept for Finnish companies who need office space. The prize vs. facilities is very fair according the interviewed Company A. The internet and wifi instead was criticized; it is too slow, there are breaks and Chinese Great Fire Wall makes using internet sometimes problematic and it disturbs doing work effectively.

In production unit there had been some small problems with premises but after many negotiations things were organized, told company B. They shared the assembly hall with another Finnish company and interviewed person thought that was good way to do. They can share the problems and do co-operation to solve those together.

One thing to notice is that China is a big country and there are long distances moving from place to another. It takes more time than people from Finland could estimate. This is good to remember when planning business trips to China.

Location advantages in specific regions are mentioned to be one key factor for success according to research of Claver et al. (2010).

The majority of Finnish enterprises are located in the coastal provinces according to Heino (25-26). The most significant location targets are Shanghai (picture 8.) and Beijing. Jiangsu province is also ranked as top area among the Finnish companies.

7.2.2 IPR Violation

The interviewed companies all were delivering projects in China and one had also products they manufactured themselves. Those projects are difficult to copy, so IRP violation was not felt the threat for the interviewed. Company D told that the specific knowhow might move to competitor when the trained key person changes

a company. They have learned that “China is the most transparent society in the world: there are no secrets.”

The interviewed companies have unique knowhow and their concept is difficult to copy for Chinese. Ikävalko (2016) writes that according to Halttunen, CEO from Halton, that “the company who is planning the business in China should think about its own unique expertise because the competition situation in the markets is quite hard in China, for example the service chain is more difficult to copy”. The products and knowhow interviewed companies have are quite unique and not easy to copy.

According to Ahoniemi (28) unless foreign company keeps track on their investments, they might lose capital or their IPR-rights might even get stolen. Copying and violating IPR-rights has turned to be the biggest problem according to Ahoniemi to Foreign Ministry research in 2008.

Ikävalko’s article (2016) advises by interviewed Sandås that patent and trademark guards have to be done really well. “There must be used in accordance with the agreements Finnish or Swiss law, in order to avoid problems at larger”.

Ikävalko’s interviewed Mäkipää explains that in China patent may get easily, but they are not the proper patents. They do not provide protection against copying.

According to Wang (36) when company starts production in China, they should send a trusted person, who knows the whole production process. Their task is also to protect information capital of the company. This theory is also supported by several companies that were interviewed. About the IPR violation the study did not give any information supporting the theory because the products of the interviewed companies were too complicated to copy.

7.2.3 Legislation, taxation and custom

All interviewed had experienced about Chinese legislation and that there it changes quite often. This is typical in the environmental sector and because they are doing business at clean tech branch. The Company D had learned that in China

there is a “continue change all the time”. Entrepreneurs have to have active presence in China and have right contacts to forecast what changes will be next and how they will affect to businesses. The Fifth Plenum gives some references what will be emphasized developing Chinese economic.

According to Ahoniemi (79) foreseeing actions are also difficult, because preparing and executing legislation are opaque.

According to Wang (36) Chinese have their own customs that are almost impossible for foreigners to understand. One example is the practice is to use three- or fourfold accounting, in which might be different information for taxing, customs, owner or manager. This came up also in my interview with the company D, for example the Chinese banking and finance systems are “very Chinese” according the CEO. That is why is better to Chinese experts for handling all the Chinese bureaucracy.

7.2.4 Chinese Workers

According to company A there is a very positive drive and attitude, especially among the officers. China is taking first place in world in economic, this gives an inspiration for Chinese workers. China is fairly young country at technology; it opened to the world in 1978. Production workers are mostly good, but supervision is important. This was mentioned from all the interviewed persons.

Chinese workers are used to have command from managers. They are not used to do their own initiatives and are not so independent and spontaneous than western employees said the interviewed from the company B.

Another important thing that was mentioned by the company B. was that it is a good practice to “ask and ask again if everything have been understood the right way. And even thought Chinese will answer that yes, it necessary is not like that.” But it is also useful to make sure even afterwards if they have got the right message. This was mentioned also according to Chaney and Martin (227).

The change of the employee in production is about 7-10%. The reason is very often better salary somewhere else. A fair salary or some kind of bonus system is a lure.

Production cost has increased in China, also salaries and some companies are planning to transfer production to the "third countries" like Vietnam, Indonesia, and India or even back to Finland.

Many Finnish companies that have been in China some years have now totally Chinese staff or only one or two managers are from Finland and things are working well.

According to Pietarinen (83-84) salary and training can be the motivating factors to remain in a firm. China's mature economies annual wage increase is about 7-8%. The change of employee is typically about 25% in a year. If the company has stability the change may be 7%, same as in Finland. The threshold to change jobs is lower in China than in the West.

Leakage of business secrets is a risk in China. It is a problem that is difficult to control. Products may be subject to copying. According to Pietarinen (87) in China the personnel change is a major problem and that is also a risk for leakage of secret information. The experiences of the interviewed about the Chinese workforce and theory supported each other, especially supervising and giving clear instructions and the reasons why they change job.

7.3 Expat's adaptation in China

The company A expats had been in the country for fairly long, so they had a lot of experiences. They felt that life in China was safe and there was lesser amount of bureaucracy compared to Finland. Surveillance creates stable and constant political situation. "You need to have an open mind, China is after all, very different than Finland" thinks the manager from the company A. Downside is that friends and family are far away in Finland. There are great vacation spots close by, which is an upside thinks the country manager from the company A. According to

Ahoniemi (45) humble mind is needed while living as an expat in China. Things do not always progress as planned, and plans may change very frequently, so patience is required.

The problems with pollution have made some expats to move back to Finland. The amount of expats has decreased and the companies are running more and more with locals. This matter came up almost all interviews. "The pollution problem is one negative thing living there, especially if you have family with you. That is the main reason to move back to Finland" told the production manager from the company B.

Living as an expat the working days were busy and long, partly because the long commutes which took time said the interviewed from the company B. He had his own chaffer; that is a very common way to move for foreigners.

Belonging to Finnish society and social life makes expats life comfort, there are lots activities for example in Shanghai in the weekends. Picture 6 is one example how Finnish society celebrate. If you would live there longer to learning the mandarin Chinese would make the life more easy and comfortable. For those who had been living in China several years speaking or learning to speak local language was very common. According to Chaney etc. (93) language knowledge seems to give an expat an extra change of succeeding in the host culture and country. Also understanding the educational, political, economic and social system of a country is considered important.

Some Finnish expats had a Chinese spouse. That makes a good reason to stay in China longer and it is easier to accept the Chinese way of living.

The company D had met the fact that it is difficult to get Finnish staff to China, especially those who have a family. The biggest reason for that is air pollution problem and secondly the difference of the culture.

According to Ahoniemi (117) circumstances may be challenging, full security issues is rarely, and not all things foreign culture to be able to always take into account. Uncertainty and stress tolerance are important features. There are several studies about expat's life in Asia and many common features have been found to

survive; accepting the foreign culture, being humble, learning the language, having local friends and belonging to national society, having a spouse from the culture etc. These all came up in the interviews also and the theory in this part especially supports the reality.

7.4 Future in China, advice to new comers

All the interviewed managers believe that they must be present in China, if they want to survive. The market remains Chinese, but the action is rapidly westernized. The companies see in the future huge market potential in clean tech sector in China for Finnish high tech companies. Three of them will grow in the near future unless something unexpected will happen, one company is waiting changes for environmental legislation and makes its strategy to expand China activities after that.

In the end of the interviews was asked advices for new comers. Here is picked up some good advice from the interviews that were considered to be important to know:

- *“You have to be humble and to accept and to embrace Chinese way of living and doing things.”*
- *“They are the culture of the long history, and we foreigners have to honor that.”*
- *“If the future of the company looks very promising today, in China the change is constant and you never know what will come next.”*
- *“With guanxi even a foreigner might be able to meet with the senior management that might be otherwise impossible, because China has a high hierarchy.”*
- *“Lunch and dinner are extremely important part of business in China; it has about 60-70% importance.”*
- *“It is more difficult to get rid of the Joint Venture than to found it.”*
- *“The effective supervising is necessary.”*
- *“It is better to check, not to trust”*

- *“The projects don’t proceed in the way Finnish engineer have used to: step by step. There are delays, then something proceeds fast, but after all, the result will be promising.”*
- *“You can’t blame Chinese if the things do not work in the way they should. There are mostly problems with communication and cultural differences.”*
- *“Fairs and seminars are good opportunities to find new customer, but to get contract is a long process.”*
- *“China is the most transparent society in the world: there are no secrets”.*

The results of the interviews and theory were mostly consistent and theory supported the findings of the thesis. Advice and findings of this study can be trustable and relevant for several years. In the future world will change and in China these changes might come sooner than in western world because the economic growth has been fast as were told in the chapter 2. The world is becoming smaller and nations more close each other because of the globalization and maybe also the business custom will be more and more unite. Today there are still remarkable differences between Chinese and Finnish customs according the theory and practice. This was shown also in this study.



Picture 8. Shanghai is the most popular city for Finnish expats to live. (Suksi 2015).

8 CONCLUSIONS

In the thesis the main idea was to find some advises to Finnish new comer firms in China. The target group was small and medium size companies from clean tech sector delivering projects to China. They should have experience about having firm in China for few years. Four companies were interviewed, two in China and two in Finland. Method was theme interviews face to face.

The results indicate that interviewed managers gave their experiences, good and bad ones, for those who are planning to set up their business. The most important subjects in the thesis, that were also supported by the theory, were the meaning of the guanxi, understanding Chinese business culture and China, Chinese workers, some obstacles like violating IPR, co-operation with Chinese partner and well working infrastructure and location. Also the expats life and the problems there might be useful to recognize.

Even though the result of the thesis would be studied by entrepreneur who is planning to start a company in China, everything does not work like have been planned. There is a continue change going on all the time in China, like one of the interviewed said. But the subjects listed in this study are useful to know before; the interviewed persons did not know these but they survived and today the future of the companies looks promising. There are opportunities for Finnish companies in clean tech sector and also support and good advice available.

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APPENDICES

APPENDIX 1.

The interview themes/ Jaana Suksi 27.5. 2016 Shanghai / Sanda University

Basic information about the company (in advance)

Setting up a business in China:

Corporate setup: joint ventures, wholly owned foreign enterprise..

-the competitive situation

-Government policy

Problems, some examples to discuss

-Chinese business culture

-taxation

-legislation

(-corruption, this was left away because it was too difficult subject)

-Customs duties

-intellectual property rights

-employees

-expats adaptation in China

- the infrastructure (Internet access, facilities, location)

Income repatriation

The future in China, advices to companies who will set up a business in China.