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WHAT ARE THE BIGGEST CULTURAL FACTOR-RELATED CHALLENGES FOR FINNISH SMEs WHILE DOING BUSINESS WITH THE CHINESE?

Case: real voice from three businessmen

LAHTI UNIVERSITY OF APPLIED SCIENCES
Faculty of Business Study
Degree programme in International
Business
Bachelor's Thesis
Autumn 2014
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Degree Programme in International Business

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Bachelor's Thesis of Degree Programme in International Business, 70 pages, 10 pages of appendices

Autumn 2014

ABSTRACT

The rapid and constant growth of China's economy and its huge population leads to an enormously diverse and alluring market, which brings countries around the world great opportunities to conduct their business in China. Many firms, however, fail to succeed in the market, as establishing a foothold in the Chinese market is not easy.

Thus, the thesis aims to find out the biggest cross-cultural challenges for Finnish SMEs to arouse their awareness of how to do business successfully with the Chinese; Finnish SMEs are targeted to who are currently planning to enter China's market and who are at the beginning of establishing business with the Chinese. For this purpose, an extensive description of both Chinese and Finnish culture and a comparative analysis of cultural differences based on literature studies and insights of three interviewees will be conducted.

This thesis is performed by applying qualitative research methods and having a deductive orientation; it can be seen as consisting of two parts: theoretical- and empirical part. In the theoretical part, various sources are collected from viewing literature, namely, published texts, journals, newspapers, magazines; in the empirical part, data are obtained from the insights and reflects of the three interviewees.

The results of the research indicate that understanding Chinese communication style guides Finns to effectively get their point through and accept that all business is personal in China. Trusting and profitable "guanxi" with the Chinese potential business partners can be built and maintained by spending time networking and socializing with them. Being flexible and focusing on win-win business enable Finns to work out their ways in agreement negotiation.

Key words: internationalization, internationalization process, SMEs, culture, business, China, Finland

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ABBREVIATIONS

WTO	World Trade Organization
GDP	Gross Domestic Product
SME	Small and medium-sized enterprise
EU	European Union
U.S.	United States of America

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1 INTRODUCTION

This chapter starts with the description of the thesis background in which an overall view of Chinese and Finnish trading is provided and the reason why this topic is chosen. The author continues with the research- objective, questions, and methodology concerned with how the research will be conducted. Finally, she ends up in presenting limitations to this study, theoretical framework, and thesis structure.

1.1 Background

Since China acceded to the WTO in 2001, China's economy has grown rapidly for more than a decade. The two most significant impacts of joining the WTO can be seen: the first is to enhance China's focus on international trade. Under the WTO's ruling, China increases exporting to foreign countries by manufacturing more various goods that are widely purchased both in foreign countries and in domestic markets. These goods then are sold at a more favorable price. In addition, it can be seen clearly that facilitating China's market entry barriers and lowering down tariffs is an efficient way to increase importing from other countries of the world. The second is to stimulate competition in each industrial sector. A set of measures has been adopted by China to provide foreign buyers and investors with greater access to China's market and bring in foreign owned companies. It forces Chinese domestic companies to confront the challenges and become more efficient. (Li et al. 1999; Slane 2010)

Consequently, China is becoming the largest exporter and second largest importer of goods in the world, which can be seen from the below Table 1. (WTO 2013)

TABLE 1: Leading exporters and importers in world merchandise trade 2012
(Adapted from World Trade Organization, International Trade Statistics 2013, 24)

Leading exporters and importers in world merchandise trade, 2012									
(Billion dollars and percentage)									
Rank	Exporters	Value	Share	Annual percentage change	Rank	Importers	Value	Share	Annual percentage change
1	China	2049	11.1	8	1	United States	2336	12.6	3
2	United States	1546	8.4	4	2	China	1818	9.8	4
3	Germany	1407	7.6	-5	3	Germany	1167	6.3	-7
4	Japan	799	4.3	-3	4	Japan	886	4.8	4
5	Netherlands	656	3.6	-2	5	United Kingdom	690	3.7	2
6	France	569	3.1	-5	6	France	674	3.6	-6
7	Korea, Republic of	548	3.0	-1	7	Netherlands	591	3.2	-1
8	Russian Federation	529	2.9	1	8	Hong Kong, China	553	3.0	8
9	Italy	501	2.7	-4		retained imports	140	0.8	6
10	Hong Kong, China	493	2.7	8					
	domestic exports	22	0.1	33	9	Korea, Republic of	520	2.8	-1
	re-exports	471	2.6	7	10	India	490	2.6	5

WTO membership opened up China's market for more international trade and investment, boosting the economic development of both China and the rest of the world. (Slane 2010) China is the world's most populous nation, with its huge population leading to an enormously diverse market. With markedly rapid economic development in China, companies all over the world are seeking opportunities to enter the market or expand their business into China, including Finnish companies.

Finland has a well-developed trading economy with its largely free open market. Foreign trade is still playing the role of filling the gap of products not yet available within Finnish domestic market. Finland's mainly exported commodities are: metal, machine, and transport equipment industry; and imported commodities are raw materials and components for its manufactured goods, energy, respectively. (Finnish Foreign Trade 2013) Finland's trade accounts for over one-third of its GDP that easily can be observed from the below FIGURE 1.

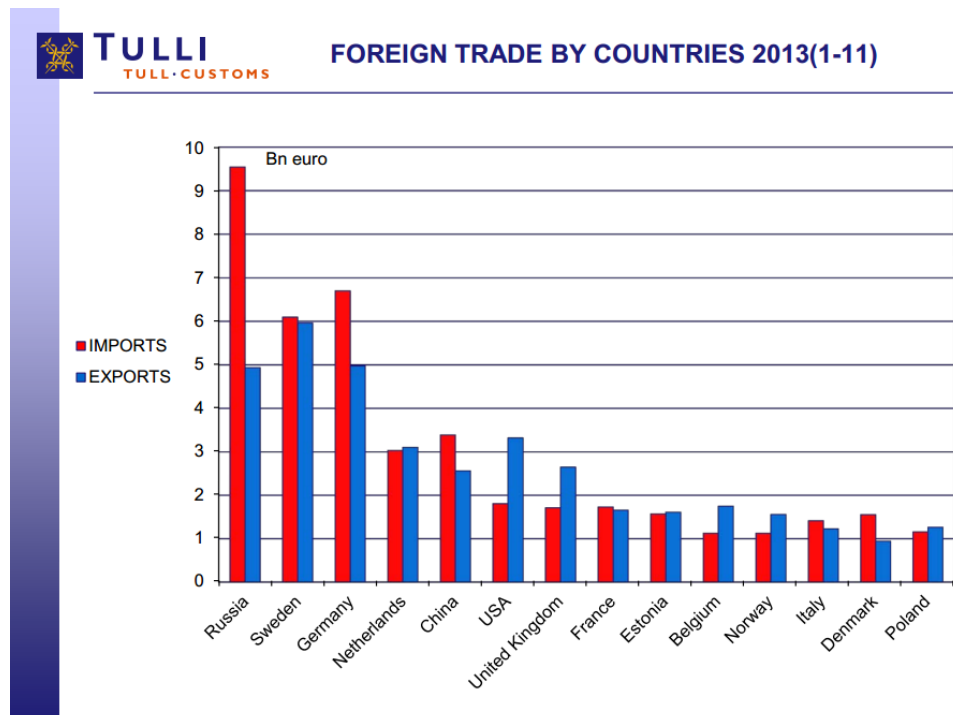


FIGURE 1: Foreign Trade by Countries 2013 (1-11) (Adapted from Finnish Foreign Trade 2013)

According to the figures presented in Finnish Foreign Trade (2013), plenty of business has been successfully performed between Finland and China. Still more and more private small and medium-sized enterprises (SMEs) are unsurprisingly pondering entering China's market. The challenge of China's market entry and expansion plan is becoming an increasingly tricky problem lying in front of Finnish SMEs.

Doing business across the board is much more complicated, time-consuming, energy-and money- costly than in the domestic market. *There are often complaints about the Chinese way of doing business* (Hamilton & Zhang 2012, 3). Many foreign companies are aware of the differences between their ways and the Chinese way of thinking, but few have a clear understanding of the Chinese market environment and culture. Therefore, understanding China's culture has been always a first step, then moving to building commercial relationships with its people.

The author is Chinese and had worked in international trade companies for three years in China, before setting down with a Finnish spouse in Finland in 2010. Moreover, she participated in a couple of Finnish language-oriented practical trainings and did a two-month summer job twice in a Finnish company in which working language was Finnish. Besides, she did a one-month part-time job in another Finnish company in which her job was to coordinate between the Finnish company and their Chinese business partner. Significantly different working environment makes her aware of the difference of cultural context and its effect. She is a bi-cultural person with business study and working experience both in China and Finland, and willing to work in the same field in Finland after graduation. Thus, to find out what kinds of problems arise while Finnish SMEs do business with the Chinese inspires her to conduct the research.

In addition, the author expressed her own insights into how Finnish SMEs effectively starting their business with the Chinese at the beginning stage in the Appendices part (See page 76-80). The readers who are interested in the subject are welcome to review.

1.2 Objective and research questions

The main objective of this thesis is to arouse Finnish SMEs' awareness of how to do business successfully with the Chinese; here Finnish SMEs are limited to companies who have decided to enter the Chinese market and are at the beginning of the market entry plan, and who currently start doing business with the Chinese.

In order to achieve the above goal, the author comes up with the main research question as: What are the biggest cultural factor-related challenges for Finnish SMEs while doing business with the Chinese?

For answering the set research question, the author breaks down the main question into four following sub questions:

1. What are the main differences between Finnish and Chinese cultural context and how do the differences have an impact on business relationships?
2. For what reasons do Finnish SMEs need to pay close attention to building strong “guanxi” and relationship networks with the Chinese, and how to perform?
3. What kind of strategies do the Chinese use while negotiating with foreign trading partners? How do the strategies differ from the Finnish?
4. What is the primary and practicable advice for Finnish SMEs to apply in their operation in order to generate more trade volume and value with Chinese partners?

1.3 Research methodology

FIGURE 2 demonstrates chosen research approaches and research methods that are will be used to conduct this research. Additionally, the author will state for what reasons they are chosen. Finally, she describes the way how the research will be completed in order to reach the research objectives.

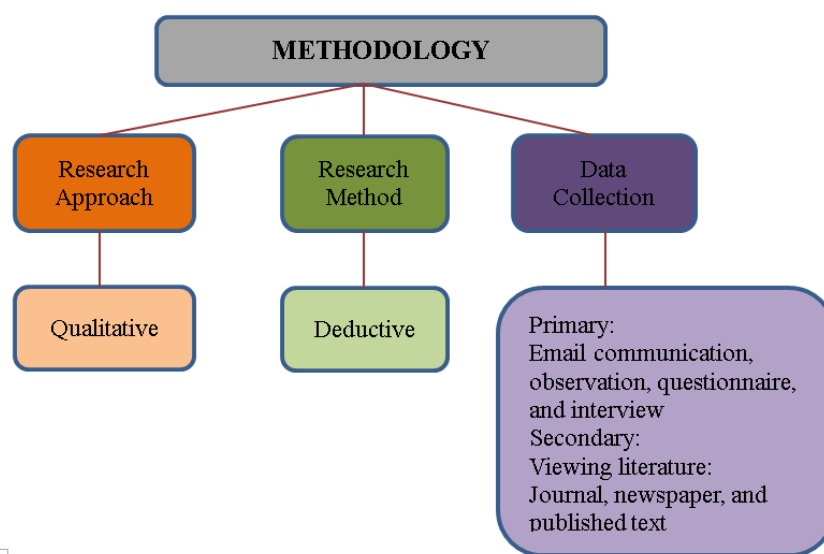


FIGURE 2: Research Methodology

Research approach

The qualitative research method will be applied in this paper, as the research is commenced with general ideas and theories which will be tested against new collected data and analysis. According to Trochim & Donnelly (2008), the qualitative research approach enables the researchers to be more experienced with the phenomenon they are interested in. Additionally, it inspires the researchers to formulate their own ideas about what causes what else to happen, then giving them a fresh perspective for generating new hypotheses. The qualitative research approach is especially effective in providing a thorough understanding of the research issues that contains information about behaviors, opinions, experience of a particular group of people. (Hennink et al. 2011)

Overall, the qualitative research approaches have special value in investigating complex and sensitive issues, which assists the researchers to achieve a deep understanding of the topic and the issues. (Trochim & Donnelly 2008)

Research method

The deductive research is one of the typical approaches to collect and use qualitative data; it will be applied in this paper. The topic of the thesis is culture-related which is associated with human behavior and thought, the research questions are comparatively better suited for the deductive research. In addition, due to time constraint and few contacts in the business industry, the author is unable to use the inductive research method to complete the research.

The deductive research approach begins with a social theory. The researchers identify a particular phenomenon and seek for the answers of what it influences and what causes changes. Accordingly, the researchers could develop a hypothesis based on the existing theory. They then continue with collecting a various set of data to examine the hypothesis in order to obtain the right answers to research questions. (Gill & Johnson 2010, 72-74) On the whole, the deductive

approach enables the researchers to move from a general level of theory to a specific one.

Existing research and theories related to the topic of this paper will be studied to find a social theory. The author then moves to analyze gathered data from interviewees, which are known as the primary resources, for instance, interview records and email communication history. Ultimately, the researchers have to narrow topics in a specific subject area to generate a new hypothesis. (Blackstone 2012)

FIGURE 3 outlines the steps involved with deductive approach to research.



FIGURE 3: Deductive Research (Adapted from Blackstone 2012)

Data collection

The aim of the qualitative research is to collect evidences from previous knowledge, to seek the best way to answer the set questions, and to produce the findings not determined in previous studies. These tasks could be accomplished through participant observation, in-depth interviews, and focus groups. It is known that two types of data are collected in research: primary and secondary. (Saunders et al. 2009)

The primary data will be collected from email communication records, observation results from the author's previous workplaces, and interviewees' perspectives on the research topic-oriented questions. The secondary data will be from reviewing of the literature such as books, journal, and newspaper etc. The table below presents the process that from which the author will collect the primary data.

TABLE 2: Contact list

Name	Job Position	Contact Reasons	Contact Methods	Interview Date
Yang Erlin	CEO	Providing insights on foreign trading as a Chinese businessman	Emails, phone calls, phone interview	March 24, 2014
Timo Välttilä	Business Manager	Providing insights on foreign trading as a Finnish businessman	Emails, phone calls, face-to-face meeting	May 27, 2014
Mikko Mäki	CEO	Providing insights on China's market entry as a Finnish SME owner	Emails, phone calls, face-to-face meeting	May 21, 2014

1.4 Scope and limitation

As an undergraduate student majoring in business study, the author will mainly collect and present cultural factors relevant information from both the Chinese and the Finnish sides to the readers. This paper does not cover information concerning law in China such as the legality of the contract, compensation clause, and term of payment etc., nor financial knowledge, for instance, funds for rental of office, cost for planning business.

Besides, this study is targeted to Finnish SMEs; the concerns of large-sized corporations or publicly traded companies are apparently excluded. Due to the aim of finding out how Finnish and Chinese businessmen think about the effects of cross-cultural contexts in the business world, one Finnish businessperson from a large-sized company will participate in the interview. He has the rich experience and a wide knowledge of dealing with Chinese business people. Thus, he is highly qualified to provide well-around insights to the author and to give practicable advice to Finnish SMEs who are willing to succeed in the business world with Chinese business people. It can be seen that this is an exception.

1.5 Theoretical framework

Trochim & Donnelly (2008) claim there are two significant elements in research: theory and observation. The theory is concerning what is going on inside the head of the researcher, while the observation is regarding what goes on in the real world in which data are collected. In this section, the valuable theories with respect to the topic of this study are explicitly stated.

FIGURE 4 demonstrates the structure of the study, and how each other are associated. It can be clearly seen that the theoretical framework consists of three steps:

Firstly, the author will present the internationalization process of SMEs in general, moving to Finnish SMEs in the internationalization process in which will be seen the current state of Finnish SMEs, what factors drive Finnish SMEs to seek opportunities from foreign markets, and for what reasons China is chosen as the target market.

Secondly, a detailed description of the way to conduct business in China and Finland will be given; it enables the readers to get a better understanding of the main differences between the two mentioned countries. From the Chinese side, many aspects will be discussed, such as how the Chinese choose foreign partners, what the most significant factors are while they are dealing with foreign trading partners, and what strategies they apply while negotiating with the counterparts. From the Finnish side, similar aspects will be discussed but the contents will be hugely different.

Finally, interviewing three businessmen enables the author to conduct the empirical part of this study. Moreover, two-side way of interviews will make the research questions seem more meaningful and valuable.

As a consequence, the objective of this study could be achieved, the main

research question that what the biggest cultural factor-related challenges Finnish SMEs are facing while doing business with the Chinese, will be answered.

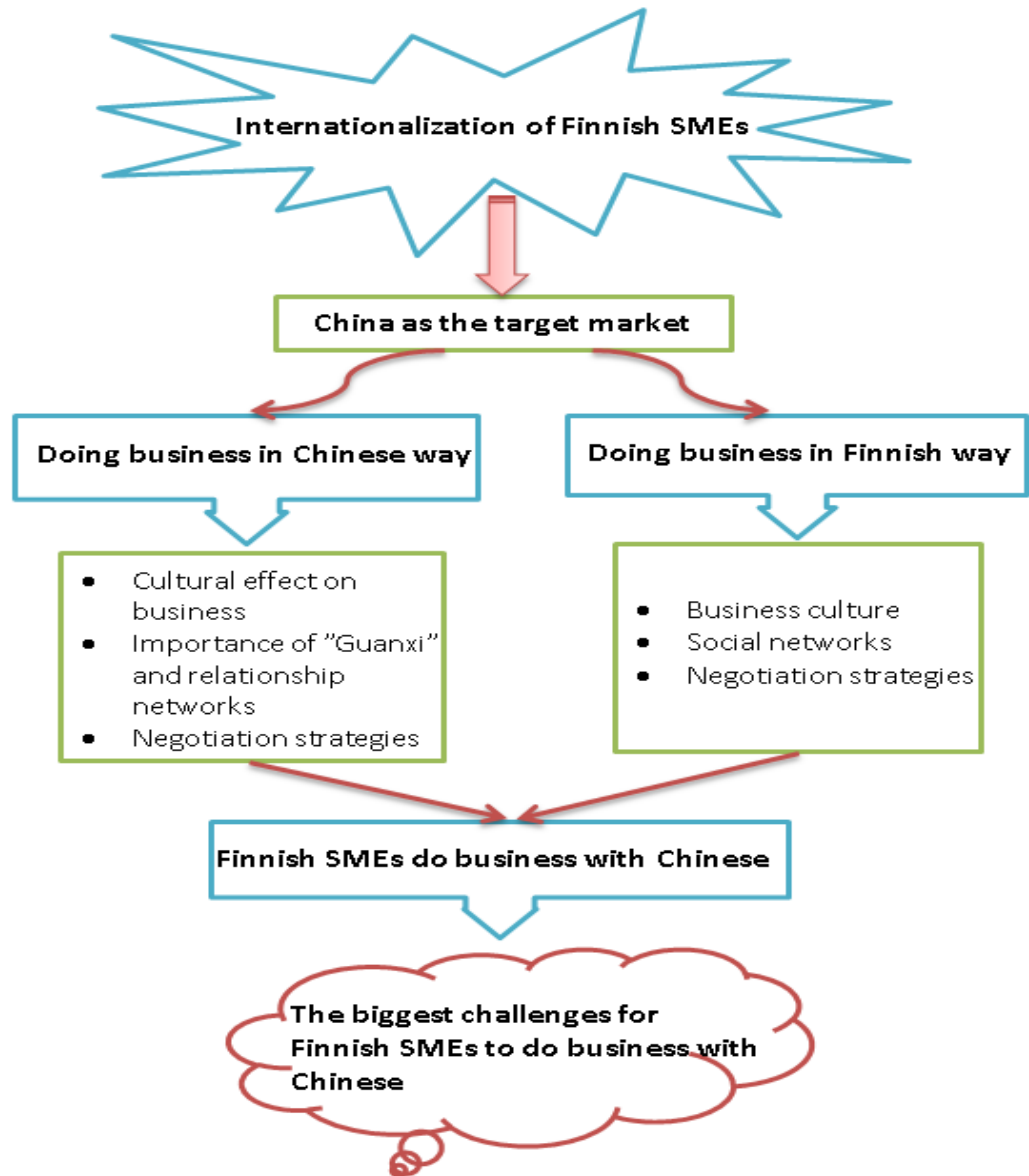


FIGURE 4: Theoretical framework of this thesis

1.6 Thesis structure

The thesis is composed of two main parts: theoretical- and empirical part. The structure of this study is described in this section in FIGURE 5: chapter 1

introduces the readers the reasons why the topic is chosen, background of the author, the main objective, and the research questions, continuing with an introduction of research methodology, a description of research scopes, and the limitations.

The study begins with a literature review in chapter 2 in which a description of the internationalization process of SMEs can be seen. Additionally, Hollensen's five-stage decision model in global marketing is elaborated.

The chapter 3 contains the overall phenomenon of Finnish SMEs, main forces to pull and push them to go international, and the choice of China's market entry.

Chapter 4 and 5 depict the main factors which are closely related to do business from both the Chinese and the Finnish side, respectively. The subtitles of these two chapters are quite similar, but the contents are thoroughly different, as Chinese and Finnish ways to deal with trading partners, concerns of benefits, and relationship's effect are hugely different.

Chapter 6 states the interviewees' selection process and makes a comparison of Chinese and Finnish way of doing business. Those are based on the interviewees' both personal and working experience with the Chinese.

Chapter 7 includes conclusion and suggestions for further research. It covers the summary of major findings, answers to set research questions, and suggestions for further research.

In chapter 8, the author sums up how the research is conducted and assesses the cross-cultural related challenges and barriers based on viewing the literature and collecting data from the three interviewees.



FIGURE 5: Thesis structure

2 THE INTERNATIONALIZATION PROCESS OF SMEs

The objective of this chapter is to provide a clear understanding about the processes that SMEs generally experience while going international. The definition of internationalization will be given first, and then followed by the internationalization barriers and motives for SMEs; finally, Hollensen's five-stage decision model in global marketing will be introduced.

2.1 Definition of internationalization

The term of 'internationalization' has been discussed in many books; it varies on many occasions with regard to the phenomenon, they are just slightly different from others, so far there is no agreed definition of internationalization. Clarke and Wilson (2009) contend that internationalization is the way of conducting business by switching operational processes from domestic to international marketing in a specific period of time. The constant concept of internationalization is that companies put certain efforts and focus on international operations, rather than only concentrate.

Svend Hollensen (2012, 10) makes a comparison of the concept of internationalization and globalization and concludes that internationalization refer to *doing business in many countries of the world, but often limited to a certain region (e.g. Europe)*. Therefore, companies, who wish to internationalize, accomplish their aims by targeting certain areas and operating business there.

Simply, the main purpose of most companies that involve in internationalization is to make money. To be specific, many other benefits could be brought along by expanding business across borders, namely, a new and larger access to markets worldwide, faster growth in the competitive environment, learning and generating new knowledge by internationalizing, a new way of thinking for finding creative solutions, opportunities to learn up-to-date knowhow and technologies. (Jones et al. 2009; Hollensen 2012)

2.2 SMEs' barriers and motives for Internationalization

A variety of motives behind the internationalization of SMEs have impacted on decision-making to international markets. To gain access to new and larger markets for better achievements seems to be the uniform push for them to go abroad. Chiara & Minguzzi (2002) state that company size neither restrains SMEs' selling abroad nor affects competitiveness in international markets; however, they find also that SMEs cannot enjoy all options in the internationalization process.

2.2.1 Top barriers

Although a number of barriers to internationalization have been cleared out over the past time, SMEs are still facing with plentiful barriers when carrying out activities and strategies in international markets. Some of these barriers are probably mainly for SMEs. Thus, many SMEs are not willing to export. The reasons for it could be that they have limited resources, not being ambitious enough to take the risks by investing on uncertain markets. Or simply, they are satisfied with running their business in the domestic market. OECD (2009) identifies top four barriers that many SMEs are confronted with in the internationalization process:

- *Shortage of working capital to finance exports;*
- *Limited information to locate/analyze markets;*
- *Inability to contact potential overseas customers;*
- *Lack of managerial time, skills, and knowledge.*

The leading barrier to the internationalization of SMEs seems to be lack of financial resources and other related physical resources; it is confirmed also in a study conducted by Chiara & Minguzzi (2002). This barrier generally has a huge impact on SMEs' export behaviors such as an insufficient investment in time to deal with exportation, inadequate export personnel, and too tight working

capital.

Next, limited access to information that could be helpful and useful for analyzing the given markets is also a top barrier. These information gaps, like unable to know about labors, raw materials, and output market conditions, are becoming significant challenges to SMEs. Information inefficiency causes problems in identifying, selecting, and contacting international markets. As a result, SMEs are impossible to find international market data, perceive foreign business opportunities, and reach customers abroad.

In addition, unable to reach potential customers in foreign markets and to know customer habits makes SMEs unlikely obtain qualified representation in target export markets, either gains access to a suitable distribution channel and reliable foreign partners in international markets.

Lastly, insufficient business education of SMEs' managers' internationalization knowledge turns to be also a top barrier to SMEs. To some extent, SMEs' managers are influential in applying strategies and shaping the company. The managers' knowledge and perceptions of possible risks and profitability of export are closely associated with influencing the export decision of young companies and the effects of exporting to business goals.

(OECD 2009)

2.2.2 Push factors and pull factors

The management team of SMEs should be aware of which activities they could take advantage of for creating market opportunities while planning for the internationalization. There are two types of drivers to analyze the reasons for SMEs expanding their business to foreign markets: push factors and pull factors, which connect with SMEs' desires that they tend to gain the same position in different geographical markets. (Shenkar et al. 2014)

According to Shenkar et al. (2014), the push factors are those drivers related a company's competitive pressure in its domestic market, it urges the company to move into international markets so as to decrease the cost. For instance, unit cost or labor cost results in its shifting operations to low-cost countries. Another push factor could be a drop of demand in the domestic market, or maturity of the local market. To seek new opportunities in a foreign market is a natural reaction for the company to move forward.

The pull factors are external to the company that enhance or improve the company's competitiveness in the international environment. SMEs react quite proactively to the change around them, once they identify opportunities, growth potentials, and lower production costs in international markets. They are willing to take actions and risks. Moreover, the rapidly increasing globalization of some markets seems to be extremely attractive to them as well. (Shenkar et al. 2014)

2.3 Five stages of international marketing involvement

The success of SMEs under globalization depends in large part on the decision and implementation of the right international marketing strategy. (Hollensen, 2007) Accordingly, Hollensen (2012) demonstrates a clear decision-oriented approach which consists of five stages (FIGURE 6). This structure systematically guides the SMEs who are planning to go international.



FIGURE 6: Five-stage decision model in global marketing (Adapted from Hollensen 2012, 5)

Stage 1: Before making a decision on whether to internationalize, it is vital to know the characteristics of SMEs and see whether it is a wise choice to go abroad. It could be found out by answering the following questions:

- Does your company have a fair amount of resources such as finance, high qualified business education of SME manager who has professional knowledge in the specific industry, good social skills, and wide social network for speeding up the internationalization?
- How is the strategy chosen and how is a decision made in your company? Is only the owner involved in the process or is he/she open-minded to take valuable opinions from his management team members? As the SME's managers are extraordinarily influential in shaping the actions of their firms.
- What is your company's business value? How is it similar and different in other markets?
- Does your company combine the 'product value chain' and the 'service value chain'? (The value chain is activities a company offered for providing value for the customers and profit for the company (Hollensen 2007))
- Is your company well-prepared for risks taking? Do you put certain focus on long-term opportunities?
- How is information gathered in your company? Apart from internal sources and face-to-face communication, will you seek more methods to connect your international markets?

If the answers to the above questions bring the SMEs more confidence and desires to go abroad, then it is time to move to stage 2.

Stage 2: In order to select 'right' markets, Hollensen analyzes the issue from three aspects: political-, economic-, and sociocultural environment. To find different aspects of the political/legal environment between the home country (exporting companies) and the host country (market) enables SMEs to perceive

trading barriers and to evaluate risks. Therefore, *the marketer has to adapt to a more or less uncontrollable environment within which they plan to operate* (Hollensen 2012, 119). Seen from the economic environment, the marketers could analyze market potentials and opportunities via population characteristics, exchange rates, and national income. By knowing all facts of social behaviors, communications, and strong interaction with the target market, the marketers are able to plan in advance for fitting into the society and manage specific points of differences. In this thesis, China is chosen as the target market to examine. Next step is to find the best way to enter the chosen market.

Stage 3: Entry model choice in the initial stages of SMEs' internationalization represents a critical first step. Seen from the degree of control, risk, and flexibility, Hollensen (2012) classifies market entry modes into three groups: the export modes with low controls, low risks, and high flexibilities; the intermediate modes with shared controls and risks, split ownerships; the hierarchical modes with high controls, high risks, and low flexibilities. Concerning which entry mode is the best for SMEs, and what kinds of strategies should be used for the chosen entry mode, these depend upon four groups of factors: internal factors (e.g. company size, international experience, product/service features), external factors (e.g. sociocultural distance between home country and host country, intensity of competition), desired mode characteristics (e.g. control, flexibility), and transaction-specific behaviors (e.g. transaction cost, tacit nature of know-how).

Stage 4: Hollensen (2012) highlights the importance and roles of four decisions with regard to designing a suitable and feasible marketing programme: product-, pricing -, distribution-, and communication decision. Firstly, examining whether the offered product is acceptable for international markets, additional elements, namely, packing, branding, and after sales service need also be considered. Next, the pricing policy in the international context is a more strategic and complicated factor compared with the other elements of the global marketing mix. Thus, several important factors should be borne in mind when setting prices, such as

competitors' prices, labor costs in the host country, exchange rates, and inflation rates. Furthermore, distribution channels build links among manufacturers, wholesalers, retailers, and end consumers. Channel control is about establishing international brands, image of quality and service worldwide. Lastly, personal-sellings and the Internet are claimed as two extremely important communication tools.

Stage 5: What is acceptable in one country may be completely unacceptable in another. (Hollensen 2012, 463) Last stage for the internationalization is to learn cross-cultural negotiation skills and personal selling skills and to participate in learning-oriented activities across borders for understanding the counterpart's negotiation style. Thus, SMEs' managers could form an appropriate organizational structure and control the global marketing activities. Overall, the global marketing activities probably are carried out as intended. Accordingly, evaluating performance could guide organizations back to better desired objectives if the plan turns out to fail.

Those five stages have provided an overview of the internationalization process. SMEs could integrate their desires of internationalization for seeking market possibilities or releasing pressures in home market into activities. Analyzing their facing situations and overcoming barriers may lead to success in the global market.

3 THE INTERNATIONALIZATION OF FINNISH SMES

In this chapter, the author first describes the definition of EU SMEs and elaborates the current situation of Finnish SMEs with figures to show what kind of roles SMEs are playing in the Finnish economy. Then she clarifies the main drivers for Finnish SMEs to go abroad. Finally, the reasons for choosing China as the host market are revealed.

3.1 The current state of Finnish SMEs

The definition of SMEs varies along with the number of employee, annual turnover, or balance sheet total. According to The New SMEs Definition for European Commission (2014), for EU states, the new common definition of SMEs is that company which employs fewer than 250 persons, and whose annual turnover does not exceed €50 million or whose annual balance sheet total is no more than €43 million.

SBA Fact Sheet 2012- Finland (2012) shows that there are 212 508 SMEs in Finland, which account for 99, 7% in overall companies share. Accordingly, 61, 7% of employees work in those SMEs which has created 57, 0% of the total value added. Based on the facts until the end of 2012, the outlook for Finnish SMEs seems relatively moderate. Moreover, Finland is the leader in entrepreneurship with the highest entrepreneurship rate, the status of entrepreneurs in society, and media attention for entrepreneurs of all EU-27 countries.

3.2 Main drivers for Finnish SMEs to go abroad

Among comparatively smaller barriers to business across national boundaries, many companies seek chances to obtain more choices on their growth. One of the growth strategies is to make their products or services penetrate into new and bigger markets, in other words, to expand their geographic scope from the domestic to foreign markets. For the SMEs, who typically have a small amount of

capital, a domestic focuses, and few opportunities to grow in the domestic market, international expansion seems to be a hugely feasible option for them to move forward. (Shenkar et al. 2014)

Finland is a highly developed EU member state with much smaller population compared to other EU states; accordingly, the market is too small for business expansion as well. The three key factors below reveal what drive Finnish SMEs internationally.

Firstly, international markets bring more opportunities for a company's growth, which has been identified in several recent studies. (OECD 2009) The international developing opportunities and resources limitations of the SMEs' domestic market often drive them to invest in international markets. (Cheng 2008) Additionally, many different conditions of production and marketing are available in different locations, which offer more chances for companies to adapt to those different conditions. As a result, companies might maximize profits in each location. (Hollensen 2007)

Secondly, knowledge assets both push and pull SMEs into international markets (OECD 2009). This statement also has been seen in Foreign Trade 2012, Finnish Trade in Figures. The main imported commodities to Finland are metal, machinery and transport equipment industry products, chemical industry products, and products from mining and quarrying, which account for 23, 0%, 19, 6%, and 18, 3% of overall imports, respectively. Besides, the main exported commodities from Finland are metal, machinery and transport equipment industry products, chemical industry products, and forest industry products, which account for 32, 4 0%, 23, 4%, 19, 2% of overall imports, respectively.

Lastly, the internationalization support services and the organizations are relatively important triggers for Finnish SMEs to expand their market to abroad. There are four organizations in which Finnish SMEs are able to ask for financially and strategically assistance: Finpro, Finnvera, Tekes, and Ministry of Employment

and the Economy. For instance, the organized private sector Finpro has 53 trade centers/offices in over 40 countries offering consulting advice, trade fair support etc. (Hyytinen et al. 2011) In addition, The Finnish Ministry of Trade and Industry provides financing and guarantees to support SMEs working capital needs and internationalization efforts (OECD 2009).

3.3 China as the target market to Finnish SMEs

Jyrki Pöysti (2010) from Finpro has made a report, namely Russia, China, and India Foresight for Small and Medium size Enterprises in Uusimaa, which confirms that most of the common western companies have expanded their business in the Chinese market. Western products could be seen commonly in a number of shops in cities in China, despite they are highly priced. Thus, Competition is relatively intense for Finnish SMEs, in contrast to entering other well developed markets; it seems as difficult as China's market entry. Furthermore, there is a rise of raw materials demand for industries in China. Finland is an IT technology export-oriented country with communication technologies, electronic payments, and reliability, which could be strong advantages for Finnish SMEs to trade with the Chinese.

However, owing to the economic growth and increasing purchase power, more opportunities to exploit an existing competitive edge in a new market are generated. Notably, more young affluent people want modern and fashionable goods, for example, organic products which improve the environment, expand brand awareness to new audiences in China. Mobile and internet based consumer services, social networking, and business services are increasing rapidly there; more people are able to have accesses to new technologies. As business can be implemented widely through the internet, communication becomes smoother and easier. All these positive factors facilitate Finnish SMEs to deal with the Chinese, for instance, IT technological products. (Pöysti 2010)

Apparently, entering a new market is hugely complex and long-term work. Pöysti

(2010) adds that many Finnish SMEs do not know what kinds of business risks, barriers, and challenges there are in Chinese market, and how to deal with them. Therefore, *advance planning has often been regarded as important to the success of new international ventures* (Hollensen 2007, according to Knight 2000).

After knowing the current situation of Finnish SMEs are facing and China is chosen to be the international expansion country, the next chapter will be a thorough description of the Chinese way of thinking and doing business.

4 CHINESE PERSEPECTIVE ON THE COGNITION OF INTERNATIONAL BUYER-SELLER RELATIONSHIP

The structure of this chapter is as follows: beginning with stating the cultural effect on Chinese business by an introduction of Chinese hierarchical society, how Chinese culture affects their communication styles, business gift givings, and the ways of entertaining business partners. Then the author continues with an elaboration of how “guanxi” works in China and how to build and maintain good relationships with the Chinese. She ends up in revealing Chinese negotiation strategies used in business.

4.1 The effects of socio-culture on business

When doing business with people from another country, consideration of the cultural differences probably comes up as the first subject. In this section, Chinese culture is introduced from four aspects: a hierarchical society, communication style, business gift giving, and the ways of entertaining business partners.

4.1.1 A hierarchical society

In China, hierarchical “Confucian” kinship networks dominate social and economic life; they are the core of life. The root of a steep hierarchical society originates from Confucianism which defines people’s status in family structure and in society as well. (Monfret 2011) The five interpersonal relationships of Confucianism are relationships between: ruler and people being ruled, husband and wife, father and son, elder and younger siblings, and seniors and juniors. Failure to honor these rules could worsen interpersonal relationships as well as mutual benefits. (Sebenius & Cheng 2008)

Hierarchy is reflected, in particular, in the business world. The Chinese pay much more attention to it than the westerners. For instance, it could take place in a

meeting in which how the Chinese people address and greet each other, who speaks mostly and expresses dissent during meetings or which one of the meeting attendants should be shaken hands with first. (Sebenius & Cheng 2008) The boundary between the superiors and the subordinates seems extremely apparent, for example, opinions against the superior's comments in public are not allowed, which is an unwritten rule. Thus, challenging the superior's authority under any circumstances is regarded as a high risk. In the powerfully hierarchical system, expressing negative opinions to seniors in front of other people absolutely causes a considerable loss of face. (Monfret 2011)

The principles of equality seem powerless while meeting the principles of hierarchy in China. Unequal relationships are widely accepted in the world of business there already, people's actions are measured by whether they comply with the strictly hierarchical system. Another example could be a regular handshake, it is common or can be said as a tradition that the Chinese host would like to see off the visitors. Thanking the host and the host's driver by shaking hands is supposed to be a polite manner in West. However, due to the hierarchical culture in China, instead, the host would be shaken hands and the driver would be given a head bowing or a smile. The Chinese respect both these individuals, but different ways are applied while performing it. (Monfret 2011)

4.1.2 Chinese communication style

In Chinese business, communication happens only between people on the same level. (Monfret 2011, 50) This is from a European HR director's experience. The title of a person's job decides from whom they ask for advice and orders, and to whom they could distribute tasks. For instance, if the counterpart's representative is a manager, he or she probably could easily meet a similar positioned Chinese manager, but not a person at higher position in the structure, such as a vice-president.

According to Zhang and Baker (2008), owing to the Chinese strong hierarchal

framework, in a structured meeting environment, it is believed that the Chinese speak when facing the following occasions:

- *You are the most senior person present;*
- *If you are not the most senior then only when asked by your superior;*
- *When you must say something and or have something absolutely necessary to say.*

When having a meeting with a group of Chinese, the counterpart may expect that the most senior person or his interpreter will be talking and answering given questions. (Zhang & Baker 2008) Importantly, interpersonal harmony is taken as a key concept of communication in the Chinese business world. Chinese people have always put an emphasis on it. (Haley et al. 2011) This explains why it is common in China to conduct business on several occasions namely, eating-out together, sightseeing, or sport events. During the process, business related subjects are rarely talked through. The long process creates opportunities for both parties to get to know each other and further build trust relationships. *As Chinese are more concerned with the process (finding the way) than with the goal, this will be valued highly and lead to trust and harmony which might lead to further business in future.* (Rakowski 2013)

Monfret (2011) makes a comparison of death and face lost: losing face is much worse than losing head. Apparently, it is an overly exaggerated saying; on the other hand, it reveals that how risky and unforgivable for causing somebody to lose face in China. Many examples are given in the study to prove the saying, one of those examples is that Americans, who are on behalf of a major US company cause a Chinese official a loss of face by trying to convince him changing his decision which has made already in public. For the Chinese administration, face is hugely priceless; it is not a surprise that the Americans lose the contract valued 10 million dollars. Thus, a lesson is learnt that rethinking before expressing opposite opinions to the Chinese.

4.1.3 Business gift giving

Officially, giving gifts is forbidden in Chinese business culture, because it could be considered as bribery which is tightly associated with the value of the gifts.

However, giving a suitable and correct type of gifts is known as a part of business culture both in China and in the West. A popular saying in China is that courtesy demands reciprocity, it means that a strong interpersonal relationship could remain and be nurtured, while giving a small gift and simultaneously receiving a gift in return. (Verstappen 2008)

There are some principles concerning giving gifts in China: how expensive the gift could be, what kind of gift is suitable, to whom the gift should be given, and how to hand the gifts. (Verstappen 2008; Collins & Block 2011)

An expensive gift should not be given; as the gift receiver might need to buy the counterpart a more expensive gift at a later time. Also receiving an expensive gift would cause pressure on them. (Verstappen 2008) In addition, giving a Chinese business contact cheap gifts reflects poorly on the person and his working company as well, which might be considered likely to insult the contact person that the company is trying to get to know better. Therefore giving a modestly priced gift of good quality, for example US\$5 to US\$20, is a proper choice. (Collin & Block 2011)

The best choice for gifts to the Chinese contacts could be small items made in the counterpart's home country and marked with local city or area. An extra consideration could be a gift with the counterpart's company logo on it. Besides, there are gift cultural taboos, for instance, clocks, umbrella, handkerchiefs are unacceptable. The number of the gift and the color of packaging paper also should be paid attention to, as number 4 stands for death, for example; white, black, and blue are unlucky colors, but red is widely welcome. (Collins & Block 2011)

Giving a modest gift to the entire company or management team, rather than to an individual, is perfectly acceptable. The gift has to be specified that it is from the counterpart's working company. Moreover, a gift to an individual should be done privately, in the context of friendship, not business. (Verstappen 2008)

Finally, the gift is best to be given by the most senior person from the company with two hands, which is considered as a courtesy. The exchange of gifts at the end of a business meeting is common. Gifts are opened in private rather than in front of the giver (Martin & Chaney 2009). Additionally, it is unsuitable to give gifts to the Chinese at the first meet. (Collins & Block 2011)

4.1.4 Entertaining business partners

In China, it is widely accepted that one's business life and personal life are not separated at all while doing business. Attending the entertainment activities such as drinking or eating and others alike is absolutely necessary for developing the business relationship. It is believed the everlasting friendship is hugely improved over these social activities. Moreover, it is not exaggerated to say that a strong relationship with the Chinese is even worth more than any signed contract one could ever hope for. (Chao 2012)

It is a universal practice in China to take business partners to a restaurant for lunch or an evening meal, and then again for another meal the next day, a formal banquet is a sign of invitee's status. (Gibson 2014) In general, the Chinese view dining out with business partners together just the right thing to do in their business culture; this goodwill gesture has been around for thousands of years. (Chao 2012)

Warmhearted and hospitable Chinese people would probably order a wide range of food for the whole group. The food is shared by the group instead of being distributed to each one by portions. Some of the food is viewed as strange things, like chickens' feet. Obviously, foreign partners are certainly not expected to eat

everything offered there, if they do so, more dishes are most likely to be brought. Finishing everything on the plate would cause the host assuming their guests are still hungry. It is a sign of politeness to taste a small amount of unknown dishes the host served, but for things the foreign partners really do not want to eat, instead of telling them directly, a wise way is to say stomach is full. (Gibson 2014)

The engagement with Chinese business people is a way to create social connections. However, due to cultural differences, privacy is much less respected in China. It is very likely that foreign business partners will be asked questions considered too personal in their culture in conversations, for instance, about age, income, family members, marital status. The counterpart does not have to reveal all personal information to them; instead, politely responding with unspecific answers could work out. (Verstappen 2008)

Entertaining business partners is very different in different culture. It is not astonishing if the counterpart notices the number of people attending the dinners with them, they have never met; like the manager's family, and who have absolutely nothing to do with the business; like employees from other departments. If a foreign company plans to do business with a Chinese company, then going to socialize with them is the right choice. Conversely, if not, then they just move on and keep the relationship clean. (Chao 2012)

4.2 Importance of "guanxi" and relationship networks

"Guanxi" is no longer a strange word to foreign business people, here the definition of "guanxi" is applied from the study done by Wang Tao and Chen Lurong (2009), four aspects of "guanxi" are given following as:

- 1) *It happens between interaction, association and interpersonal exchanges;*
- 2) *It works under the principle of friendship, affiliation, reciprocity, mianzi (i.e. face), renqing (i.e. favor) and benefit;*
- 3) *It is a way to get resources;*

4) *It is a special social phenomenon in relation to Chinese local culture.*

In this section, the readers will get an overall view concerning how “guanxi” takes place, how to build and maintain it, and how it works in the business world in China.

4.2.1 An amount of time on face-to-face contact

Along the development of technologies, a various range of communication channels is available today. However, the richness or effectiveness of face-to-face communication is still essential and important in business and professional transactions, which cannot be replaced by alternate communication technologies. Face-to-face conversation allows the message senders and the receivers to be persuasive and expressive due to effective involvement of the voice, facial expression, and body language. (Guffey & Loewy 2012)

Noted earlier, attending social events with Chinese business partners could foster the relationships. Article Top 10 Things You Need to Know about Doing Business in China, published by the Canada China Business Council in the fall 2011 edition of *Canada China Business Forum Magazine*, contends taking a personal interest in Chinese clients and partners is all-important for building professional relationship. Personal connections are the keys in China, which would show its large impact on any dispute and practical workarounds. Therefore, spending time with the Chinese before heading to build healthy and strong relationships would benefit these conditions.

Chao (2012) points out that business takes time in China only for the foreign business people. One of the main reasons is that impersonal communication method likely, email replies and conferences, and calls, delay information exchanging. Additionally, cultural differences could cause misunderstandings, which lengthen business dealings. Furthermore, the foreign business people probably seem not to track the progression of the business as actively as when

they face to the Chinese partners in China. Thus, face-to-face communication improves the situation.

The real voice from a foreign practitioner is: *If you take the time to nurture mutually beneficial partner relationships, they can help you navigate the often opaque “system” in China* (Canada China Business Forum Magazine, 2011). To create a relationship with the Chinese, going there and visiting them is recommended, which brings you closer to your potential partners. (Chung 2013)

4.2.2 Trust building and maintaining

In China, trust outweighs the rules and laws; the complex interpersonal relationship concept relies on trust (Chung 2013). Trust is built into the Chinese everyday practices and relationships. Thus, for foreign business people that are seriously having a thought of conducting business with the Chinese, it is essential to go to China. Face-to-face communication is the most efficient way to find trustworthy partners or clients there, as it claims the counterpart's sincerity and desires for building a relationship with them. Personal meetings are regarded as a prerequisite for a long-lasting relationship. (EU SME Centre 2013)

Trust can be built among friends, classmate, colleagues, and people you know which may provide you with useful information and make the connections to people you do not know yet but are willing to get to know because of your business. It is well-known that China is relationship (guanxi) oriented country. Being ready to help other people, helping others whether they are friends, business associates, or colleagues, will make access to their respective networks more likely (EU SME Centre 2013).

Healthily commercial relationships are vital to business people anywhere, in particular, for doing business with the Chinese. Relationships in China are usually long-term, accordingly, nurturing and maintaining the relationships is needed. For achieving the goal, positive activities are likely, making yourself useful and

valuable to others at first. Moreover, building a good reputation about yourself and spending time with the Chinese contacts, for example over a meal, or a social event can improve the relationship with them. In addition, The Chinese counterpart is expected to be patient while asking help from them. On the other hand, some negative activities are discouraged such as always requiring the favor from others without giving, contacting people only when help is needed, showing disrespect, and failing to express gratitude for obtaining help from others. It is always helpful for foreign business people to be aware of Chinese cultural backgrounds. (EU SME Centre 2013)

4.2.3 A trusting relationship (guanxi) facilitates business

A popular saying is that once a trusting personal relationship is cultivated, business may follow, in other words, firstly being friends, then becoming business partners or clients. In Chinese business culture, the network of personal connections has a great impact on business. Notably, accepting the favors from others and performing them favors in return in the future, undoubtedly enhances the interpersonal relationships, commercial relationships as well. (EU SME Centre 2013)

Levels of “guanxi” are closely associated with the amount of resources the Chinese business people are willing to expend and the possibilities of the request being met. “Guanxi” takes a long time to build and nurture, lasting long time as well, therefore, strong relationships to some extent are much more valuable than transactions. Sufficiently strong relationships save cost by assuring the business conducting, namely, allowing social and material resources to be allocated efficiently, offering advice for resolving disputes, and performing background checks etc. Business related goals and strategies outside the direct control are possible to require favors from the Chinese contacts due to mutually beneficial relationships. (Sanderson 2008)

The relationships bring the foreign business people an access to scarce resources

such as enabling them to find reliable business partners and suppliers, to obtain new customers, to generate opportunities for expanding their business, and to gain hard-to-find information. In addition, the Chinese contacts even are willing to put effort to engage their networks for the foreign business people, as they can guarantee the foreign business partners' characters and reliabilities.

(Sanderson 2008)

4.3 Negotiation strategies

Learning and applying the knowledge about another culture most likely assists business to be performed well internationally. This section is negotiation strategies-oriented part; the author elaborates what kind of strategies Chinese business persons use in negotiations. Firstly, preparation for business meetings is the starting step for future negotiations, then getting to know the Chinese negotiation process which could help the counterparts work their way through the business. Furthermore, the relationship between a written agreement and a good relationship is stated. Finally, to ensure a clear communication with the Chinese, getting a reliable interpreter is recommended on certain occasions.

4.3.1 Preparation for business meetings

The foreign business people should check the Chinese calendar while scheduling a meeting, as it is difficult to organize meetings when the entire country shuts down. Making preparation before a meeting with the Chinese is recommended, such as listing the attendants in a hierarchical order with senior member first and giving an overview about the agenda. Sometimes the foreign business people may need to arrange for their own interpreter although the Chinese counterpart could bring one along. Chinese business people usually arrive on time for meetings, occasionally, or even slightly earlier. Arriving late for an engagement of any kind is considered as disrespect and rudeness. (Martin & Chaney 2009)

However, Lane Kelley and Oded Shenkar (2013) argue that the importance of punctuality varies among geographic locations; the Chinese in large cities are

more precise about time than in rural and suburban areas.

When conducting business meetings in China, on most occasions, the meeting attendants are expected to wear business professional attire. For businessmen, it is common to have a dark suit with a light shirt inside and a decent-looking tie in the cool weather. In summer time, open-necked shirts and slacks without a jacket or tie is traditionally professional attire. For business women, the conventional choice for business attire is to wear a skirted suit or business dress in a knee-reached length and in neutral colors. An extra attention is needed for tall women; they should avoid appearing much taller than the host by wearing low heels. (Martin & Chaney 2009)

In cultures that tend to be more people-oriented than task-oriented, small talk is not considered to be a waste of time but an essential part of getting to know one's business partners. (Gibson 2014, 25). China can be an example. Discussing business does not start right away when every participant arrives and sits down. The Chinese usually starts a conversation with a small talk over tea. Now is the right time for the counterpart to capture their attention by expressing an interest in their country and establishing business relationships. Simply, following the lead of the host in addressing others, seating arrangements and meeting structure leads successful meetings. (Martin & Chaney 2009)

4.3.2 Social cultural understanding of Chinese negotiation process

When conducting business in a diverse global environment, it is a helpful and effective way to have an open, respectful attitude toward cultural differences of others. (Krizan et al. 2010) Negotiation is seen as an art in China. *Business communications in China tend to be conducted in an indirect and roundabout way, leaving both sides to solve a puzzle.* (Fernandez & Underwood 2010) Foreign business people may be expected to accept Chinese business people's needs for indirectness in communicating.

The Chinese do not get straight to the point, especially, when dealing with business people in the beginning stage of a business setting. Basically, they would like to talk about general things. They may just slightly mention the sensitive key topics for initiating the counterpart's engagement, which concerns what they think about the topics at first. A recommended way to move to a more direct way of communication is to raise a question or the purpose of the meeting; in this case, they may fill the conversation with more details. (Zhang & Baker 2008) In fact, *some are concerned that mistakes in handling business negotiations and dealings in China could result in competitive disadvantages or loss of opportunities.* (EU SME CENTRE 2013) Thus, a good communication is always the key to lead a successful negotiation.

In general, seemingly aimless discussions about irrelevant topics occur while conducting meetings with the Chinese. They are not regarded as a part of the real content, but being served with special purposes such as being an essential part of a solid relationship building. (Zhang & Baker 2008) When negotiations in meetings reach a critical point, the Chinese counterpart may postpone it for next meeting, as they need time to think about what their opponent really wants and carry out the meeting step by step. Time spent this way probably saves the counterpart much more time and energy in the future. Moreover, Chinese business people quite rarely make decisions during the meeting. (Fernandez & Underwood 2010)

Negotiation in China is one of the most frequently cited reasons for the failure of many foreign enterprises. (Ching 2009, 173) Interpersonal skills have a huge impact on negotiation with the Chinese. Understanding Chinese business culture is extremely necessary in order to deal effectively with Chinese business people.

4.3.3 A good relationship ("guanxi") is prior to a written agreement

The study conducted by Fernandez and Underwood (2010) states that in Asia, the first agreement is just one part of the ongoing process of working together. In

particular, Chinese business people commonly consider it only as a frame of reference and would change part of the items agreed on contracts while coming up with new thoughts. Zhang and Baker (2008) add it depends on how their business was going on while dealing with other foreign business people in the past and whether the transaction is completely international.

The Chinese prefer to deal with people whom they have a good relationship with. *Be prepared for slow negotiations and for the Chinese to try to renegotiate the deal after the contracts has been signed since they do not view the contract as a binding legal document.* (Martin & Chaney 2009) Earlier mentioned multiple-time communications, meetings, and discussions facilitate the quality of the final contract. The Chinese believe that developing a relationship is the primary objective of any negotiation (Collins & Block 2011). Fernandez and Underwood (2010) emphasize that trust and a good relationship are worth more than any document.

Even though the concept of contracts with Chinese varies so much, and being treated differently from being legally binding, Ching (2009) and Chao (2012) believe it is still important to have a clear written agreement with Chinese business people. A contract should cover specific information such as the exact terms of payment, performance standards, and time lines. In order to enable Chinese business people as much as possible to follow the contracts and perform each task, the counterpart has to put much effort into communicating effectively with them and making them understand of why those given requirements in the contract are so important to them. (Chao 2012)

4.3.4 Not openly expressing dissenting opinions

An example from the study of Krizan et al. (2010) shows the Chinese may often smile and say “Yes” while being asked their opinions on discussing subjects. This does not mean they agree with the counterpart or are making a commitment, but simply being an avoidance to say “No” sometimes, owing to the national

culture of saving face. Confucian culture has a large impact on the “No” word, the Chinese do not like to disappoint someone or make others uncomfortable. In their culture, saying no to someone is considered rude. Accordingly, politely and indirectly asking questions is an effective approach to obtain what is in their mind. *It is often essential to pursue the matter in a roundabout way to find out what is actually going on.* (Boye 2013)

Instead of saying no outright, Chinese business people are more likely to change the subject by asking other questions, being silent or responding with neutrally expressing opinions. This does not mean they evade negotiations, inversely, they are well-prepared for diverse negotiations with patience and ability and strategies, which probably leads a time-consuming meetings. (Ordonez & Miltiadis 2010)

Talking straightforward openly on negative views is considered as public embarrassment which may damage the commercial relationships. (Björkstén & Hägglund 2010, 24) However, the Chinese do express and accept dissenting opinions, it is critical to perform it behind closed doors i.e. in private and one-to-one situation; the counterparts can be as clear and as blunt as they want.

4.3.5 English-speaking translator is needed in general

As English becomes the global business language, a growing number of Chinese companies are adopting English in the workplaces. Communicating face-to-face is likely the best option to win a deal and build trust with Chinese trading partners. However, according to the survey performed by GlobalEnglish Corp., many Chinese business people are not able to keep up with a business meeting conducted in English. (Areddy 2011)

A meeting with Chinese business people, especially in the manufacturing industry, the host and senior managers do not speak English, which means all relevant subjects would be talked through twice, as one or two interpreters have

to translate between English and Chinese. As a result, the meeting probably takes longer than expected. (Mitchell 2012)

Stanley Chao (2012) states that a qualified interpreter is highly recommended to foreign business people while conducting a business meeting with the Chinese. In general, the Chinese hosts may have an English-speaking staff along during the meeting; still their counterpart is suggested to take a translator on behalf of their company. The translator could follow employer's willing, maintain the focus, and bring the Chinese business people back to stay on the subject during the meeting. Consequently, this helps foreign business people to find all information they expect, avoid misunderstanding and uncertainty, and support for a final decision. The requirement for a good translator is fluency in English, having solid knowledge of Chinese culture and mind-set, cultural sensitivities to both parties, and the business experience in specific industries. All these requirements ensure a smooth and effective meeting and a successful deal.

5 FINNISH PERSPECTIVE ON THE COGNITION OF INTERNATIONAL BUYER-SELLER RELATIONSHIP

Due to limitation of natural resources, financial resources, and rather long distance to large consumer markets, the Finns have to find a workable way to compete in the commercial world. Thus, Finland creates a high-technology environment which is attributable to egalitarian education, gender equality, and emphasis on innovation and 'out-of-the-box' thinking. In addition, the Finns focus on high-value selling, impressive language skills and trading skills. (Swallow 2011)

This chapter begins with an introduction of Finnish business culture from its egalitarian society, communication style, and entertaining business partners, continuing with how the Finns deal with work and personal life. Finally, the Finnish way of doing business is revealed from the concept of punctuality, the way of the Finns expressing themselves, the importance of a written agreement, and the Finns' English language level in business communication.

5.1 Business culture

Concentration of the quality and the safety of bought and sold goods, being conscientious and reliable, respect for the nature, and high qualified trading skills, are attributes that make the Finns successful. (Swallow 2011)

5.1.1 A egalitarian society

Finland is ranked the world's second most egalitarian country; it is presented in the World Economic Forum's Global Gender Gap 2013 report. In particular, a rise in equality has been mostly seen in the field of education. (World Economic Forum 2013) In Finnish society, the educational system is unique because it gives the children egalitarian educational opportunities, their geographic locations or the social backgrounds are completely not associated with the education. Moreover, the gender and social class equality is comparatively high in the

Scandinavian countries; Finland with lower scores in rankings of nations on the power distance in society is evident as well. (Gannon & Pillai 2012)

In business, Finns contend that everyone is equal and any form of ranks for participants in a meeting class seems abhorrent. Accordingly, *egalitarianism may dominate in terms of communication as well.* (Lewis 2013) In the workplace, it is unacceptable to give preferential treatment, including bosses; instead, they are generally willing to plan simultaneously roles of team members and leaders. (Katz 2006) An example of social event for business (Gannon & Pillai 2012) is that a de-emphasis of social status is evident in sauna; a subordinate could choose to sit near a CEO. *Finns consider moments of egalitarian relaxation contribute to better superior-subordinate and human relationships.* (Gannon & Pillai 2012, 162)

In Finland, women have dramatically raised their leadership roles in business and politics. Taking Finland's former president and prime minister as examples, both of them are women. In addition, a greater emphasis on gender equality can be seen in successfully participative decision-making and employee involvement. (Gannon & Pillai 2012)

5.1.2 Finnish communication style

Compared to the Americans, the Finns are much more introverted. Naturally, Finns are essentially patient with moderate characteristics and taught to discourage aggressiveness. Finns seldom show their feelings in public, thus, their serious facial expression would be shown in on first business meetings. (Lewis 2013)

Finns are people comfortable with both quietness and with talking in different ways. (Gannon & Pillai 2012, 161) Finns often remain silent while listening to others in the business, interrupting the speakers is viewed impolite. When having a different thought with unsure feelings, they become silent instead of speaking out loud, as they need time to formulate their thoughts and find a good

alternative to put on the table. (Lewis, 2013) As Finns do not think and talk at the same time, this may cause their counterparts to fill in these pauses. On the other hand, Finns talk about private matters or jokes among themselves while in sauna with their international partners. (Gannon & Pillai 2012)

To avoid overlapping and be able to reflect effectively, Finns usually wait for other people to complete their talking before expressing their opinions. For Finns, everyone is equal in social reality, the concept of communication is to listen carefully and mindfully, then cautiously reflect in important situations, and perform precisely rather than talking too much. It is their national culture. (Gannon & Pillai 2012)

5.1.3 Entertaining business partners

A few entertainments are offered in Finland, namely, *sightseeing, a visit to the sauna, a meal in a good restaurant, an evening of drinking and dancing at a night-club*. (Swallow 2011, 226) Here to take clients to the company canteen and to a sauna are mainly talking through below.

Finland has a long sauna history, *the ideal associated with the sauna is a nonreligious cleansing of body and soul*. (Gannon & Pillai 2012, 159) Taking foreign business partners to sauna is a cultural and distinctive way to entertain their counterparts in Finland. By doing sauna, Finnish business people may relax their mind or meditate on the proceeding deal. Drinking a cold beer after a sauna would refresh them and enable them to continue working on the tricky or seemingly impossible business issues, which they did not reach the agreement earlier. (Gannon & Pillai 2012)

As Finns efficiently stick to an agenda, the foreign business people are very likely to be invited to have lunch with them in the company canteen during the lunch time, which is usually between 11 AM and 2 PM. Apart from everyday food, milk, and drink water would be served as well, at times the fruit juice might be

available. Hardly any alcohol is consumed at lunch time in the workday. Again the egalitarian society is shown here, as everyone returns their own trays to the pointed place after emptying a few leftovers from their plates. (Swallow 2011)

5.2 Working life is almost completely separated from personal life

According to Finnish Working Hour Act (Tem.fi 2014), average working hours per day are eight hours, in other words, 40 hours a week. Specific working hours depend upon the agreements between employers and employees. Working hours exceeding the agreed time are considered as overtime, which is allowed in Finland. However, a pay for overtime is required far more than the regular pay which is followed and applied by each company in Finland. Companies generally are not willing to pay much overtime, and bringing work home is typically out of Finns' consideration. Therefore, Finns work hard and efficiently during their working hours. When the working hours are due, it means they have done all the work as required; accordingly, their personal time starts, they could do what they enjoy doing.

Apart from the above mentioned Finnish law, highly valued family life is another reason for Finns to separate their work from personal life. After finishing their work, Finns usually head straight for home. In addition, they mostly spend national holidays within the family. Have a quality family time is very important for Finns, calls, or discussing about work during their free time is hugely discouraged. Finns well balance their working and personal life. (Passport to Trade 2.0 2014)

Cultural context has impacted on their willing of not mixing the work with personal life. Finns enjoy being quiet on their own, keeping distance from others, and avoiding of talking about personal life. Additionally, they are not good at small talk and striking up relationships. For these reasons, having a simple relationship with their counterparts is an ideal option. (Swallow 2011)

5.3 Negotiation strategies

As far as the Finnish business people are concerned, negotiating is usually a joint problem-solving process. *Buyer and seller in a business deal are equal partners who both own the responsibility to reach agreement.* (Lothar Katz 2006, 189) Therefore, they assume that both parties should be cooperative and make much effort to move the negotiation forward in order to finalize a win-win deal.

Swallow (2012) confirms that technicians on behalf of the company are far more suitable than sales people to negotiate with Finns, as Finnish culture is an engineer-dominated. The Finns prefer to know the technical side of their counterpart's products with relevant details while discussing possible deals.

5.3.1 The concept of punctuality

Punctuality is highly valued in both business and social occasions in Finland, especially arriving at any business meeting and appointment on time. However, a few minutes either way are not considered as a failure to the punctuality though. (Swallow 2011, 229) Finns prefer to use their time productively; therefore, they follow a schedule tightly and expect the same of others. Arrival later than the agreed time is considered as rudeness and a lack of respect. If their counterpart is going to be late more than five minutes for a meeting or a dinner, a call beforehand to explain and apologize is highly recommended. (Passport to Trade 2.0 2014)

The time for ending a meeting is also should be predicted beforehand. Finnish offices hours in workdays are commonly from 8:00 am to 4:00 pm. Finns prefer to leave some time to prepare for finishing their workday, therefore, afternoon meetings are suggested to finish by around 3:30 pm. (Swallow 2011, 229)

5.3.2 Getting straight to the point

Swallow (2011) indicates that Finns get straight down to the point right after handshakes. The Finns are very honest and frank; their counterparts would be provided with quality information with plenty of details such as relevant facts and figures which support their suggestions or decisions. In the meantime, they expect that their counterpart is knowledgeable and sensible to do in the same way. Finns believe that every participant is well-prepared for a meeting; therefore, all important matters should be speaking out actively and straightforwardly during the meeting. For this reason, they quite rarely raise questions but evaluate what the counterparts have said, instead.

In addition, Finns are entirely not fond of long, hard bargaining sessions during the meeting. Persuasive and precise figures work much better than communication tactics or aggressive and emotional sales techniques. Before negotiating, Finns have set a clear goal in their mind and try to achieve it. Thus, they prefer to negotiate in a frank and honest way. (Katz 2006; Swallow 2011)

5.3.3 Implementation according to written agreement

Finns keep their promises from performing according to final written contracts which have to be signed by both parties. *Written contracts will normally be short and straightforward, outlining everyone's obligations and deadlines.* (Swallow 2012, 230) The contracts verify their mutual understanding and commitments.

Finns tend to strictly follow to the written contracts, because they certainly have made plenty of effort on planning before making a decision, which seems to be the best result to them. Requesting to change contract details after signature may only happen when the alternative would be proved better to qualify information or the operational environment has changed considerably. (Katz 2006; Gannon & Pillai 2012)

In addition, Gannon and Pillai (2012) claim that working with Finns is easy, as they set a clear goal and focus on it. Once a decision has been made, they certainly follow it and carry out if no special thing occurs. Finns take business rather seriously.

5.3.4 English-speaking translator is rarely needed

According to the survey published by the University of Jyväskylä and Statistics Finland in 2009, more than 85% of Finns have English skills and are able to make a daily conversation in English. Additionally, English courses in adult learning centers are available for Finns, who are willing to make an improvement in their English skills. (Väärämäki 2014)

English is widely spoken in Finland, most Finns speak fluent English, and this becomes an absolute advantage in the business world, as communicating with Finns in business meeting comparatively easy and smooth from the language barrier side. English is everywhere in Finland, taking product instruction as an example, many multinational brand medicines and cosmetics only have instructions in English. (Väärämäki 2014) Therefore, English-speaking translator is rarely needed.

6 CASE: REAL VOICE FROM THREE BUSINESS PEOPLE

This section belongs to the empirical part of the thesis, which is realized by phone- and face-to-face interviews. This chapter aims at hearing real voices from three business people who have the experience of dealing with both the Chinese and Finns. It enables the author to examine the early presented theories.

6.1 Interviewees' backgrounds

Owing to the qualitative research the author has applied, in the thesis, three interviewees have been chosen to complete the empirical part. The selected interviewees in this study have matched at least two of following criterias:

- In managerial position
- Having done business more than five years with the Chinese and Finnish and still continue it
- Working in SMEs

The objective of these interviews is to get valuable insights from the three business people in managerial positions concerning cross-cultural trading between China and Finland. One of these interviewees is Chinese, and other two are Finns. The following part will be the introduction of the three interviewees.

Erlin Yang is the CEO and owner of China Tekway Oy, which offers cross-cultural consulting services to governmental officer, ambitious business people, and international SMEs. In the meantime, he is the Chairman of the Finnish Chinese Chamber of Commerce Ry. Mr. Yang has run the business consulting company in Finland over 18 years and has been the Chairman of the community for over eight years. Besides, he has worked in the Aalto University School of Business as a senior lecturer for a long time. His rich experience and a wide knowledge of business can bring in extensive prospective.

Timo Välttilä is business manager of Raute Corporation, which is a technology company serving the wood product industry worldwide. He has been a managerial position in Ruote for about 10 years, during this time; he has worked in the Shanghai office of Raute for two-and-half year and in the Singapore office over three years. All in all, he has dealt with Chinese business people for a long time. Even though he works in a large-sized company, he still could offer meaningful views for SMEs who is struggling in dealing with the Chinese.

Mikko Mäki is the CEO and owner of Nordic Natural Food Company which was an SME, specializing in the sales of high-quality Finnish food products. His company is at the beginning stage of entering China's market. In this situation, he is very eligible to present real barriers and challenges that he is confronting while dealing with Chinese business people during a new market entry process.

6.2 Interview questions formulation

The author wants to conduct research into cross-cultural contexts between China and Finland that are of personal interest to them, which is mentioned in the introduction part earlier. When moving on to develop interview questions for this research, the author refers to each interviewee's working background and designs specific questions for them, which can be found in Appendix 1, 2, 3, respectively. These questions are only slight different, but closely connected to the specified research questions.

The main objective of holding the interviews is to listen to people, who have involved in the process of doing business with the Chinese, and honestly share their experience and achievements. Thus, the interviewer can obtain the answers concerning how cross-cultural contexts and relational aspects influence business from both the Chinese and Finnish business people's viewpoint. Finally, the author can examine the theoretical parts collected from scientific papers.

The final goal of this study is to reach the research objective mentioned in the

chapter 1, which is what the biggest cultural factor-related challenges are for Finnish SMEs while doing business with the Chinese. Therefore, face-to-face - and phone interviewing (due to inconvenient location) is chosen, in which the author gets opportunities to generate rich data and gain insights into interviewees' perceptions. In addition, voice recording the interviews and taking notes are carried out during the interviews. Later, the author can review the records and notes to interpret and analyze the information obtained.

In the interviews, open-ended questions are used. By this way, interviewees can provide responses with more thoughts and details, and think about the subjects in a variety of ways. Thus, the interviewer can get a deeper insight into how they think and reflect on the set questions. Similar questions are asked in the interviews; each interviewee is offered eleven open-ended questions.

6.3 Interview analysis

In this section, three interviewees' perspectives on cross-cultural related subjects are discussed. As information is collected from both the Chinese and Finnish businessmen, two-side views add value to the research and more thoroughly reflect a phenomenon.

6.3.1 Insights on cross-cultural effect

The three interviewees were requested to answer whether they noticed any problem arising in business, which is about cultural differences between China and Finland; their answers are gathered as following.

Erlin Yang saw there were a large number of differences between the Chinese and Finns. Most Finns are patient, quiet, straightforwardly talking, and inflexible. Finns' patience was highly valued, in particular, on business; they gave others more than enough time and attention to express their thoughts and opinions on things. However, long quietness made the Chinese uncomfortable and they might

wonder whether they had said something wrong or even had offended them. In addition, showing opinions straightly and freely on things was good in a way, Chinese business people can get the points clearly, but unsuitable when they disagreed the Chinese in public. Quite few Finns paid attention to this issue.

Seen from Mr Yang's point of view, Finns were with good organization skills and well-known to stand behind their words in business. For the Chinese, their stubbornness however somewhat brought difficulty to the cooperation. As in Finns' concept, the only goal for them to deal with Chinese business people was to discuss work-related subjects, a small talk, a gift and business lunch quite rarely took place.

Timo Välttilä and Mikko Mäki both agreed China being a strongly hierarchical society when being compared with the Wests, and power distance is great. An experienced example from Mr. Mäki was following:

In a business meeting, who speaks most and speaks Chinese, is the senior manager or a dominate owner, who makes decision individually. An exception would be large-sized- and consulting companies in which there were English spoken senior managers and subordinates. In addition, they all did participate in the conversation and interacted during the meeting. (Mäki, 2014)

Mr. Mäki saw that one-side view from the senior manager without subordinate's engagement might not deal with issues efficiently. Moreover, some subordinates who have innovative and critical thoughts might have to swollen their idea back due to the power distance. He also stated that Chinese business people did not show their real thoughts when being asked their opinions upon a subject during a meeting; instead, they might say something off the subject. Whereas, after a couple of times lunch or dinner together, the situation turned better, they were a bit more open to express their viewpoints. In addition, Mr. Välttilä added "*no meal, no deal*". Food played an important role in the Chinese culture, and it was

worth its counterparts to get to know it and adapt to it somewhat. For instance, Finns drink cold water or milk with meals, but the Chinese prefer hot tea or soup with it. Apparently, engagements with Chinese partners in spare time are quite necessary.

With regard to expressing dissenting opinions, both Mr. Välttilä and Mr. Mäki confirmed that Chinese business people mostly preferred to say it in another way than say no for sure.

6.3.2 Perspectives on “guanxi” and relationship networks

Mr. Yang described relations with partners both the domestic and foreign people much more important than a deal, once harmonious relationships, in other words, “guanxi” were built successfully, plenty of deals would come along with the relationships. Interpersonal relationships were once successfully built, they were hard to break. In China, business functioned primarily on a relationship basis; building trusting and strong relationships took time and required face-to-face communications due to Chinese business people’s concept about long-term business. He suggested that inviting Chinese partners to visit Finland was an effective way to make them observe Finnish culture, know better about the company, build trust, and eventually generate business. In addition, a Chinese contact person, who knew both Chinese and Finnish culture and had a strong background education in their culture and language, would improve the relationships. Chinese business people usually preferred to do business with companies they would communicate freely rather than companies that were totally strange to them.

According to Mr. Yang’s perspective, Chinese business persons were more people-oriented than task-oriented, most Finns however were unaware that in China, social relationships may mean much more than they believed. In Finnish culture, it was normal to keep their business and private lives separated, Finns thought that personal relationships did not have an impact on business, or good

relationships would come along after deals.

For Finns, Guanxi networks with Chinese business people can be either extremely important or not at all, all depends upon how much financial resources your company have. Finnish SMEs who have very tight finance, then actively establishing trusting relationships with their counterparts is much more than necessary. The relationships will define your status in China, make your business road less bumpy, save your cost, and bring you more business. If your company could invest loads of money to recruit highly qualified senior managers from China, then no need to build any relationships with Chinese business people at all. Because these managers have their own networks to use for expanding your business in China and they will be very loyal to your company due to a good pay. (Erlin Yang, 2014)

Mr. Mäki saw that it was beneficial to build friendly relationships with the Chinese business people and to get to know their business environment by spending time together outside the work. Cultural context did affect understanding between the Chinese and Finns. Off-work time, the Chinese were more open to make conversations and were willing to educate a novice concerning their culture related matters, such as etiquette. After getting to know the counterpart better, Mr. Mäki could be alert to the Chinese way of thinking and expressing their opinions, accordingly, he learnt how to act properly while discussing business.

Mr. Välttilä described China as a relationship-oriented society. Dining with Chinese business partners was considered to be an essential part to socialize with them, to make friends. By doing so, the counterpart ultimately learnt about China's market and the business environment. He agreed that it was the most welcome way to entertain international business partners in China, and "guanxi" would be developed slowly in this way.

He stated that “guanxi” did not only exist in China, but also in the Europe, the point was what “guanxi” actually did. Because of high density of population in China and part of the resources were unequally distributed, “guanxi” became more important than many other countries and got transferred into the business world. Chinese business persons built friendships before seeking to do business, whereas, Finns might feel slight uncomfortable doing business with friends. He believed that entering China’s market without “guanxi” was comparatively more difficult than entering the European market. As foreign business people needed “guanxi” to seek for business opportunities and partners and to obtain access to resources, such as right contact person, key officials, and distribution channels. On the other hand, “guanxi” could be less important. For instance, a foreign company wanted to sell consumer products to China, if they could offer lower prices and better quality, in other words, they had a competitive advantage, then “guanxi” was not very important.

Both Mr. Yang and Mr. Välttilä confirmed that strong “guanxi” could generate plenty of benefits and make business lasting, simultaneously implied responsibility. Once a favor was accepted, it would be needed to return in a way, otherwise, “guanxi” would not last.

6.3.3 Negotiation strategies between the Chinese and Finns

From a Chinese perspective, Mr. Yang saw negotiation as a process of building trust; two parties could work together for the benefit of both. Through negotiations, Chinese business persons would evaluate first whether the counterparts were reliable and trustworthy, and then determined if relationships would develop to a stage, in which both parties could reach the mutually beneficial goal. He added that the Chinese-style approach was to discuss issues in a slower pace with patience due to careful review and consideration. Additionally, the hierarchical business culture resulted in a time-consuming decision. Thus, impersonal, impulse, and overly focused on immediate gains and pointed questions asking was highly discouraged in negotiations. When

disagreement took place, the Chinese were non-confrontational; they would prefer to discuss it outside of the meeting room or at the next meeting. Mr Yang stated that saying no was not sensible in a negotiation, as it may lose Chinese face and accordingly damage the relationships. Chinese business people aimed at building lasting relationships. Mr. Välttilä confirmed the saying based on his rich negotiation experience with Chinese business persons.

In addition, Mr. Välttilä observed that the Chinese way of thinking and negotiation was different from Finns; a comparison based on his experience was given.

Finns are people with analytic thinking; however, the Chinese are people with holistic thinking. In a negotiation, Finns specify what kind of products or services they need or offer; Chinese people go for a “big picture” or an overall idea. (Välttilä, 2014)

Seen from Mr. Välttilä's perspective, in a meeting, Finns paid more attention to analyzing and reconstructing the issues discussed by both parties, and gave their detailed requirements, for instance, figures. They then listened to their counterparts to find out what they could offer or want and what the limits were. A negotiation was to work together and find a feasible way to reach the set goal, and finally write down on paper. Consequently, Finns performed their mission according to the written agreement set by both parties.

However, the Chinese had a big picture or an idea in their mind. The concreted details was rarely talked through by the Chinese at a meeting, instead, they wanted to get a general feeling about the situation. An agreement was drawn by both parties, whereas, the Chinese most likely discussed it again when they came up with new ideas, then some alterations would take place. He described that with Chinese business people, the job may never be done, because the business would continue years after years, which was good. According to his experience, for Finnish SMEs who were at the beginning of building business with the

Chinese, retaining service from experienced consulting companies, for example, Finchi or chamber of commerce, to find potential and reliable business partners was a safe and feasible way to shorten the period of a startup business in China.

Mr. Mäki disagreed that a deal with Chinese business persons could be done after one visit and a signed contract. In accordance with his observation, in order to develop new business, several trips to China would be necessary before the business contract is finalized. He added that Chinese people preferred to establish positive relationships before a deal, a negotiation really took place only after they had become trusting you and your company. Staying in touch with the Chinese partners on a regular basis was required. Maintaining positive relationships throughout the negotiation was significant.

6.4 Summary of the interviews

Gaining a broad understanding of doing business across culture and insights from both relevant parties is the desire of conducting the interviews. Through asking the interviewees close-ended questions, the author could get a big picture of what the issues Finns are encountering while dealing with Chinese business persons. Different working experiences, professional knowledge and cultural background make the interviewees see things in different ways, which result in presenting different and meaningful insights to the interviewer.

It is an undisputable fact that Chinese culture is hugely different from Finnish culture. Even though there are things Chinese business persons can learn from the West, they still have their own styles of doing business. Culture context influences people's significant behaviors, communications, and ways of thinking, it involves in organizational behaviors as well. Misunderstanding of cultural factors can limit business development; therefore, being successful in doing business with the Chinese to some extent depends on the flexibility. A Chinese proverb can be perfectly applied in this case: *"The rules are fixed; the people are flexible."* (Ambler et al. 2008, 95) In addition, the ability of some adaption, for

instance, politely and softly expressing opposite opinions to the counterpart would work out.

All the three interviewees admitted that “guanxi” exists all around them, whereas, in the Chinese context, guanxi definitely spills over into business life and becomes the traditional and widely-used way to manage the business. “Guanxi” emphasizes the interpersonal relationships not between companies. For Finns, “guanxi” in China is complex, but an important motivator of developing business or seeking for potential partners, and access to governmental institutions. “Guanxi” is developed through constant interactions, offering help or presenting small gifts for greeting. Thus, foreign partners can understand the counterpart’s personal emotions and gain trust from them. As a result, the favor will be gained and “guanxi” will be formed and even deeply rooted. For Finns, having good guanxi with Chinese partners not only brings them opportunities to learn Chinese business environment, culture, and social etiquettes, but also enable them to adapt to Chinese society better. Finns must accept the idea that in China, all business is personal.

In general, the purpose of a negotiation is to reach an agreement in the business world. However, when it takes place with Chinese business persons involved, it does not work out in this way. In order to establish a good working relationship with the counterpart and to achieve the best solution that Finns desire, causing Chinese losing face should be absolutely avoided. The Chinese are ashamed of disappointing others and of being ignored, because these behaviors are regarded as a loss of face. Thus, the Chinese expect that their counterpart would respect them and avoid this kind of things happening, especially in public. Finns’ gentleness, politeness, and patience are advantageous when they negotiate with the Chinese, but straight-forwarded talking in addressing opposite opinions may limit the business development. Consideration of the opportunities for long-term benefits, it is necessary for Finns to be alert to the Chinese-style of negotiation and be sensitive to avoiding of creating situations that may be embarrassing to others.

7 CONCLUSIONS AND SUGGESTIONS FOR FURTHER RESEARCH

This chapter is meant to present the findings and answer the research questions. In addition, the reliability and validity of the study will be claimed. The author will give some suggestions for further research in the end.

7.1 Findings and conclusions through answering the research questions

In order to further understand the effect of cross-cultural context between China and Finland in the business world, and to find out the main factors that affect Finnish SMEs doing business with the Chinese, the author gathers all findings in this section. The main empirical findings stated in Chapter 6, and overall findings consisting of the theoretical and the empirical parts will be synthesized in this section.

The author firstly demonstrates the four sub research questions and the answers in a table which can be seen in the next page. She continues with elaborating each question with detailed information to make the readers understand better.

TABLE 3: The answers to the research questions

Research Question	Answer
➤ What are the main differences between the Finnish and Chinese cultural context and how do the differences have impacted on business relationships?	<ul style="list-style-type: none"> - The main differences are seen on power distance, communication styles, and socializing with foreign business partners after work. - Causing misunderstanding, consuming much more time and limiting business development.
➤ For what reasons do Finnish SMEs need to pay close attention to building strong “guanxi” and relationship networks with Chinese companies, and how to perform?	<ul style="list-style-type: none"> - Getting familiar with the Chinese business environment, gaining access to potential business partners, generating more business. - Attending meal invitations, actively engaging with Chinese business people, and offering favors to them when possible.
➤ What kind of strategies the Chinese use while negotiating with foreign trading partners? How do the strategies differ from the Finnish?	<ul style="list-style-type: none"> - Finns are task-oriented, talk subjects straightly, stick with written agreement. - The Chinese are relationship-oriented, talk about the subjects from various aspects, and may come up with new ideas after agreement done.
➤ What is the primary and practicable advice for Finnish SMEs to apply in their operation in order to generate more trade volume and value with the Chinese partners?	<ul style="list-style-type: none"> - Using service from business consultanting companies, hiring Chinese people who have worked for both Chinese and Finns, being alert to Chinese culture, learning it through engagement with them, establishing good relationships with Chinese partners.

- **What are the main differences between the Finnish and Chinese cultural context and how do the differences have impacted on business relationships?**

By comparing the Finnish and Chinese culture, some conclusions may be drawn that the main differences in culture between these two countries are power distance, communication style, and attitude of engagement with foreign business partners.

The Chinese live in a hierarchical society; power distance might make them simply follow the senior manager or owner's orders and discourage innovation. In addition, Confucian culture directs the Chinese interpersonal communications to be neutral and harmony-oriented, which probably leave questions unanswered and problems unsolved in time. Moreover, Chinese culture is group-oriented, the Chinese like enjoying time in a group after work. For instance, they entertain their foreign partners by providing some social events, which may not suit Finnish culture. Finland is a less power distance society, which makes Finns talk freely and speak out what they really think; open dissents in public might cause the Chinese embarrassed or losing face. Additionally, Finns usually do not mix work and personal life; engagements outside work may make them surprisingly uncomfortable. All in all, cross-cultural differences could result in misunderstanding, time consuming, and limiting the business development.

- **For what reasons do Finnish SMEs need to pay close attention to building strong "guanxi" and relationship networks with Chinese companies, and how to perform?**

Strong relationships with Chinese business people could speed up the counterpart to get familiar with the Chinese business environment, guide them how the Chinese do business in a specific industry, and offer advice for resolving disputes. In addition, Finns could gain access to potential business partners and

key officials through their Chinese partners' existing networks. Furthermore, Finns could obtain more business. Building strong and lasting relationships with the Chinese needs time and patience, Finns could start it by spending time with them after work, dining out is the most welcome way. Besides, proactively participating business activities and offering favors when possible also can improve the relationships with the Chinese. More engagements with Chinese partners makes them get to know Finns personally better, and trust them, as the Chinese are relationship-oriented persons and like doing business with people they know somehow.

- **What kind of strategies the Chinese use while negotiating with foreign trading partners? How do the strategies differ from the Finnish?**

The Chinese are group-oriented persons; holistic thinking leads them to seek for harmony in negotiations, which results in their jumping between all topics discussed back and forth and responding with unclear information. During the discussion, the Chinese generally prefer to have a big picture and fill in the picture slowly during the negotiation process. Therefore, a fast pace, pressure, aggressiveness is largely discouraged. Additionally, the relationship ("guanxi") is superior to a deal in Chinese business culture; this may cause a written agreement less important on some occasions. However, drafting an agreement during each negotiation is still a must.

Comparatively, Finns' way of thinking is rather logical. They concentrate on the topics listed on the agenda and openly express their requirements and desires during the negotiation. Finns are task-oriented persons, finding out what issues both parts are encountering and seeking for an efficient way to resolve them are their main focus. A negotiation is usually well organized and structured in Finnish business culture, and Finns strictly stick with the written agreement and perform it.

- **What is the primary and practicable advice for Finnish SMEs to apply in their operation in order to generate more trade volume and value with Chinese partners?**

Cultural differences have great impact on business, using services from business consulting companies is recommended for Finnish SMEs who have not been in China and have known nothing concerning Chinese culture, the business environment, and the way to enter China's market. Recruiting Chinese people, who have the solid knowledge of both Chinese and Finnish language and culture, have working experience in both countries, and are well educated in a specific industry, could speed up the process of extending business to China. As the business in China is personal, Chinese contact persons certainly can play an important role in building business relationships. Actively engaging and socializing with Chinese business people is unaware or ignored by many foreign companies. For Finnish SMEs, this is a vital way to learn Chinese culture, understand their way of speaking and thinking, and facilitate business with the Chinese.

7.2 Reliability and Validity

In order to answer the research questions in two-side way and to make this study meaningful, the author interviewed the three businessmen in managerial positions with open-ended questions. One of the interviewees is Chinese and other two are Finns. Two of them have rich and professional working experience with both the Chinese and Finns; they efficiently reflect their thoughts and insights into the research-related topics. One interviewee is the owner of a Finnish SME and recently starts doing business with the Chinese; his perspective is very valuable and intuitive on this study.

In addition, the author combined own observations with first-hand opinions from those three interviewees to examine whether the outcome is close to previous studies, which makes the study reliable. The author believes this study would be

repeated, the outcome would not change much, because this study is a culture-oriented, culture refers to the total way of life of any society, it does not change much over time.

Moreover, the sources used in this study are quite up-to-date, such as articles from journals, newspapers, and published texts, most of the literatures were published over the last five years. All the theoretical knowledge collected during the research is closely connected to the research questions, and those scientific texts provide enough and thorough information for this study. The author is able to determine how closely those former studies match the research situation today and if the findings could be transferred. Therefore, this study could be considered highly valid.

7.3 Suggestions for further research

One of the suggestions for future research is to narrow down the study to a specific industry field, in which many Finnish SMEs are engaged, for instance, Finnish foodstuff industry or architectural design industry. As once the research is specific industry oriented, more SMEs might be willing to participate and get involved in, such as interviews or questionnaires. They would state their problems arising from the reality and provide their perspectives from practices; eventually they could more or less benefit from the research. Thus, this kind of research with certain meaningful objectives would be more valuable.

Getting more Finnish and Chinese SMEs case companies involved in research will be the second suggestion. In this study, only one Finish SME that is currently starting doing business with the Chinese, its situation is a little partial to generalize the phenomenon that other Finnish SMEs may observe. Even though the insights of three businessmen provided this study with necessary information, a variety of views and reflections from more relevant businessmen would make the research more practicable and reliable.

The last suggestion is to take the above noted Finnish SME as a case company, to study how its situation changes after a couple of years from now on, to find out how its business is going on with Chinese partners. Loads of questions would be answered by conducting the research, for instance, what kinds of barriers and challenges the company is facing at a certain time, what kind of achievement or failure it experiences, and for what reasons it happens.

As noted earlier in the introduction part, the author has presented her own views, concerning how Finnish SMEs could properly build business with the Chinese at the beginning stage, are put on at the end of this thesis. The readers are welcome to check out page 76-80.

8 SUMMARY

China is one of the world's fastest-growing and most populous countries, its trading is just behind the U.S. For many countries around the world, China is gradually becoming extremely important as a bilateral trading partner. For instance, China was ranked as the fourth biggest exporting partner and the seventh biggest importing partner to Finland. (Finnish Foreign Trade 2013) Therefore, there have been concerns over a slight trade imbalance between China and Finland. For this reason, this study was mainly targeted to cross-cultural related issues as cultural differences cause a challenge in the business world. The purpose of this study, as mentioned in the introductory chapter, is to find out the biggest culture factor-related challenges for Finnish SMEs who are planning to enter China's market or just currently starting doing business with the Chinese. Ultimately, the author could provide Finnish SMEs with some helpful and practicable advice, which is collected from the previous studies and the interviewees.

Because business culture is related to collective behavior, beliefs, and attitudes, the qualitative approaches were used throughout this thesis to study the variations of complicated human behavior in different cultural contexts. The deductive research methods guided the author to collect the secondary data from published texts, namely, journals, magazines, and newspapers. She also gained the primary data from the three managerial positioned businessmen, who have been dealing with both Chinese and Finnish at work.

The combination of previous studies and the first-hand opinions of the three interviewees showed that the biggest cross-cultural related challenges were from three aspects: communication styles, "guanxi" (relationships), and negotiation strategies. Even so there was awareness of China's way of doing business becoming more westernized. For Finns that were not good at small talk and presenting personal feelings, understanding Chinese interpersonal communication strategies was definitely necessary. Beneficial and sustainable

relationships with the Chinese were built through personal involvements and a proper use of strategies, which had been discussed earlier. The author discovered that building and maintaining “guanxi” with Chinese business persons by a series of engagement, was still an emphasis. The way of “guanxi” functioning in China is different than in Finland. The negotiation strategies in China were guided by the consideration of “guanxi”, strong attention to maintenance of harmony and hierarchy in a group, and avoiding causing others to lose “face” and giving “face” to others.

To sum up the research, the author reached her ultimate goals by examining the previous studies and answering all research questions in accordance with the requirements in reliability and validity. In addition, due to the broad scope of the thesis topic, other cross-cultural related issues between China and Finland may not be fully covered in this study, thus, further research is recommended.

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APPENDICES

APPENDIX 1

Semi-structured interview questions for the Chinese business person

Name of Interviewee: Erlin Yang

Company: Tekway Oy

Job Title: CEO

1. 您在芬兰生活了多少年，在次期间在哪些公司就职过，担任过哪些职务？
2. 您在目前公司的职位是什么？在职有多少年了？
3. 您的公司在芬兰运营了多久？请简单介绍一下您公司的规模以及涉及的行业。
4. 请概括一下，在跟芬兰商人打交道中，他们给您印象最深的是什么？
(正面和方面的评价。例如正面：守信用度；反面：性格)
5. 能举例说明一下您在工作中遇到的有关中西文化冲突吗？
6. 如果让您把中国和芬兰文化做个比较，最明显的区别是哪些？(例如：交流风格，商务进餐等等)
7. 跟中国公司合作的芬兰中小型企业需要去跟中国公司建立良好的社交关系吗？如不需要，原因是？如需要，要如何去做？
8. 中国和芬兰商人在谈判中各采用什么样的策略，技巧？(比方说：团队形式谈判，个人出席谈判，等等)
9. 在您工作中接触到中国商人，在遇到与外国合作伙伴意见不一致时是如何应对的？类似的情况下，芬兰人如何处理？
10. 根据您跟芬兰人打交道的经验，从中国商人的立足点出发，您觉得他们对芬兰商人有哪些期盼？希望他们再哪些方面会有所改变？
11. 能否给那些跟中国公司合作的芬兰中小型企业提一些意见和建议，以便他们在以后的合作中做的更好，跟中国公司有跟多的合作？

APPENDIX 2

Semi-structured interview questions for Finnish businessperson

Name of Interviewee: Timo Välttilä

Company: Raute Corporation

Job Title: Business Manager

Interviewee's personal and working experience with Chinese people

1. Have you ever been China? If you have, is the trip to China business or pleasure? How many times have you travelled there?
2. If you have ever worked in China, what kind of company you worked for, in which field you worked, and how long have you worked in China?
3. Do you have Chinese friends? If you do, did you get known them in personal life or in working life?
4. Have you any words about Chinese people's value on life, relationship networks (guanxi), habits of consumption based on your experience?
5. Could you please briefly introduce me your current working company such as in which industry it specializes, how long it has been dealt with Chinese?
6. In your opinion, for what reasons the company you worked (or are working) extends business to China's market? Please list a couple of main reasons.
7. Have you and your work company got any help (for example, finance, or counseling) from Chinese local organizations while doing business with Chinese?
8. What were the primary challenges you and your work company were facing while working in China?
9. In your viewpoint, how do culture differences affect business? (Finland vs. China)
 - Egalitarian society in Finland vs. hierarchical society in China

- Communication style
- Giving gifts
- Entertaining business partners
- Relationship networks in business
- Personal and working life
- Negotiation strategies

10. Could you please give some relevant examples based on your own experience?

11. Would you please give Finnish SMEs some tips or advice on what should be aware of while doing business with Chinese?

APPENDIX 3

Semi-structured interview questions for Finnish businessperson

Name of Interviewee: Mikko Mäki

Company: Nordic Natural Food Company

Job Title: CEO

Interviewee's personal and working experience with Chinese people

1. Have you ever been China? If you have, is the trip to China business or pleasure? How many times have you been there?
2. Do you have Chinese friends? If you do, did you get known them in personal life or in working life?
3. Have you any words about Chinese people's value on life, social network, habits of consumption, communication style etc.?
4. Could you please briefly describe your working company, for instance, in which industry it specializes? How does it operate in Finland?
5. Why do you (on behalf of your company) choose to go abroad, specifically to China's market? Please list a couple of main reasons.
6. I assume that you have done some research about China and its culture before travelling there, have you found anything different in your visiting than being learnt from theory?
7. Which entry mode are going to choose or have you chosen already to enter China's market, for example, exporting via sales representatives, exporting trading companies, or other modes? Why?
8. What are the primary challenges your company is encountering now during the process of China market entry?
9. What kind of actions will you take toward those challenges?

10. In your viewpoint, does culture difference affect your business? (Finland vs. China) If it does, could you please give me some relevant examples based on your own experience?

11. What kind of support does your company need at the beginning stage of establishing business relationship with Chinese?

The author has something to say after conducting the research

As noted earlier, I have worked in exporting companies for three years in China and have a short term of working experience (about half a year together) in Finland. Therefore, based on my observations, experience, and the performance on this thesis, I would like to give my own insights into this topic which is what Finnish SMEs may do while dealing with Chinese business people at the beginning stage.

For Finnish SMEs who intend to enter China's market, with limited or no experience of doing business there, here are my opinions below.

To-do's:

To borrow or buy several newly published books oriented to Chinese culture, such as geography, average income levels, consumer spending habits, education levels, lifestyles, local widely-known and used social networks. It can be anything about Chinese people. Just bear in mind that the book is not out-of-date, otherwise you would be misled. Reading books could help you build a big picture about China and its people, bring you topics that you could take the conversation with the Chinese, or simply enable you to avoid widely-known taboos conversation and common mistakes that other foreign businessmen have made at the early stage of dealing with the Chinese. Moreover, you could get the answers from them to the puzzles or the questions you have during the trip to China later.

To conduct extensive market research helps identify your market. Taking geography as an example here, if your company specializes in food processing industry, you probably first choose Shanghai and Jiangsu as your target regions, because most similar industries gather there, there must be reasons for those companies to succeed. How do you know it? Where could you obtain relevant information? Where are your potential local partners located? Who are the buyers? Etc. It is your job to find out by conducting research or paying others to

do it for you. Here are selected cities and provinces according to industrial orientation from the study done by Mark Hedley (2014).

Province	Industry
Shanghai	Petrochemicals, chemicals, pharmaceutical, automobile, electronic apparatus, financial
Beijing	IT, communications, electronics
Guangzhou	Automobiles, electronic appliances, textiles, apparel, toys, petrochemicals, chemicals
Jiangsu	Chemicals, textiles, communications, petrochemicals, steel, foods, auto parts, biomedicine
Shenzhen	IT, semiconductors, biomedicine, communications, electronics information
Zhejiang	Light industry, plastics, textiles, apparel, toys, metallurgy, household electrical, furniture, kitchenware
Shandong	Agricultural, oil & foodstuffs, pharmaceutical

To see China and its people with your own eyes by travelling, there is a practical and good start. A variety of international trade fairs are available in China, for instance, Canton Fair (the short of China Export and Import Fair) is the biggest and world widely known trade fair in China. For more information, check out <http://www.cantonfair.org.cn/en/>. by visiting trade fairs, you will know briefly who your competitors are, how many similar goods existing in China, and whether your goods suits the Chinese market. You might even get opportunities to visit your potential suppliers' factory. A bunch of surprises and excitements are waiting for you. There are webpages you might need while considering visiting China via trade show:

- Calender of trade shows in China
<http://10times.com/china/tradeshows?month=october>
- upcoming trade shows in China with city orientation
http://www.eventseye.com/fairs/c1_trade-shows_china.html
- China exhibitions with industry orientation
http://www.chinaexhibition.com/china_trade_shows_list_by_industries.html

To contact a Finnish run business consulting institute in China, or the Chinese run consulting company in Finland, or others alike, is an efficient and safe way to seek for your local partners. The author knows a couple of consulting companies;

you are welcome to contact her for further information. Fraud companies exist everywhere in the world, anti-fraud requires knowledge, experience, skills, and subconscious. For Finnish SMEs who have no experiences with Chinese business people, it is recommended to buy professional service or recruit a Chinese person who knows Chinese language, culture and be alert to fraud companies.

To ask Chinese potential partners questions during a meeting and a negotiation to confirm that your thoughts and desires are clearly and concisely transferred to them. In addition to dissenting opinions, saying no to the Chinese in public is not a wise choice. If you are asked something you definitely say no in Finland, instead, you are recommended to say you need to think about it. If the Chinese, you are dealing with, has studied or working experience at abroad, then the situation would be different.

To be patient and flexible with Chinese business people during a negotiation, business quiet rarely could be done by one visit and a few calls or email exchanges with strangers in China.

For Finnish SMEs who currently start doing business with Chinese companies, a few tips are offered below.

To-do's:

It is normal to renegotiate with your Chinese partner after the contract is signed. Finnish SMEs can do is to keep patient and learn flexibility. A win-win business and a strong and sustainable commercial relationship is the reachable goal for both parties. Finns are really good at keeping patient attitudes and listening to others, but being flexible in conversations is not their strength. To give a better picture of what I mean, there is an example. If a Finnish SME is selling goods to a Chinese buyer; buyer's friend contacts the Finn and asks for a commission or payment for advertising their products in China. Finn most likely refuses his or her request; because it is actually the local buyer's job to develop the market after purchasing goods from the Finn, according to the essence of the deal. However, according to Chinese culture, the Finn could say he or she needs to

think about it and discusses with the buyer later. Next time if the same question is asked, a proper refusal explanation would be politely given.

It is significant to keep in touch with your Chinese business partners via emails and calls, especially if your partners are buyers and purchase similar goods from others. Contacting them regularly is to show your concerns and great emphasis on the relationship with them, and simultaneously get updated with valuable information, for example, feedbacks from end consumers in China, or suggestions for developing your products. Staying in touch is an efficient way to sustain the relationship for a long lasting business. Besides, it is better way to enhance the commercial relationship with the Chinese partners if Finnish SMEs could manage to visit them once or twice a year.

To socialize with Chinese business partners is necessary for nurturing business relationship and generating more deals. Even though many Finns are quiet and feel uncomfortable to have small talks with business partners or participate in social events, the truth about business in China is that they are really person-oriented; a deal comes after a good and strong relationship is built. You do not have to participate in all your Chinese partners suggested activities every time when you are invited, at least you can manage to attend at times to show your respects and interest on getting known them, and maybe just satisfy their curiosity about you and your country.

To invite Chinese business partners to visit Finland and your company if possible. Finland is significantly different from China, namely, population density, the way to spend weekends and holidays, environmental protection, culture life, consumption habits and so on. To give them a chance to know your country and company enable them to understand parts of Finns' characteristics and concepts of things that conflict with theirs during conversations or negotiations. Also, as mentioned earlier, Chinese business people are person-oriented, by visiting your company, they could know you personally better, build strong trust on your company, and make business cooperation between your and their company sustainable and smooth.

A person who doesn't make mistakes doesn't really accomplish much because he or she doesn't take any risks. (Nieminen 2006, 61) Having a positive attitude to mistake-makings and even failures of cooperation with Chinese business people, and being brave to face them at the beginning stage is needed; in this way, Finns could learn how to handle the same issues next time and make much effort to avoid failing twice. Learning is by doing. Once you perceive that you might have done things wrong, proactively figure out it by asking privately, for example, Chinese contact, or his or her subordinate, in case that the contact positioned as manager would not tell you the truth to avoid of your face loss, the subordinate will you politely let you know the reasons. Therefore, being friendly to your Chinese contact's subordinate is also recommended.

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