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**INTERNATIONAL BUSINESS NEGOTIATIONS BETWEEN FINNISH AND
CHINESE BUSINESS PEOPLE**

A Cultural Approach

Master's Thesis in
International Business

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ABSTRACT

International companies nowadays have vast operations in China. Furthermore, international business negotiations between Western and Chinese companies have increased rapidly during the past couple of decades. Understanding the Chinese culture thus has become vital to Western negotiators.

Finnish corporations also have intensive cooperation with the Chinese corporations, Finnish businesses have subsidiaries in China and future business assets for Finnish companies are in China. Finnish-Chinese business negotiations have not yet been studied, therefore this thesis attempts to fill this research gap. Firstly, cultural comparison of Finnish and Chinese cultures is done through project GLOBE research selected cultural dimensions (performance orientation, future orientation, individualism vs. collectivism, power distance, uncertainty avoidance). Both Finnish and Chinese cultures and business behavior as well as previous negotiation research findings are presented. Secondly, empirical research was conducted through semi-structured qualitative interviews of eight high level Finnish business executives with extensive personal experience negotiating with the Chinese. The interview data was analyzed through content analysis and inductive categorization method, where similar responses of all interviewees were categorized together.

According to this study Finnish and Chinese get along well in the international business negotiations. The most important Chinese cultural factors, face (*mianzi*) and relationships (*guanxi*), both were discovered to have great impact on Finnish-Chinese business negotiations. Altogether eight factors were found to impact Chinese negotiations: the Chinese government, Chinese politics, Chinese negotiation tactics, face, relationships, language barriers, understanding problems, and individual characteristics of the Chinese people. All these factors a Finnish negotiator has to take into consideration before entering into Chinese negotiations.

Furthermore, this study provides practical guidelines for Finnish managers entering into Chinese negotiations and list of qualities a competent Finnish negotiator should have.

KEYWORDS: International business negotiation; Finland; China; culture; cultural differences; intercultural; *guanxi*; *mianzi*

1 INTRODUCTION

Presently, China's economy holds an increasingly large influence on the world. China has become one of the leading world powers with its industrialization and modern developments the past decade. Since the reform and opening policy of 1978 in China, GDP has increased from ¥99,125 billion in 2000 to ¥401,202 billion in 2010 (Zhou & Peng 2013:260). China's share in world exports has increased drastically from 1.4 % in 1990 to 3.9 % in 2000, and to 10.4 % in 2011 (Lemoine 2013:26). Many countries have increased their trade and business transactions with China, and China has also become present in many continents, for example South America and Africa. Moreover, China and the other emerging and developing economies have been vital for the global economy (Pomfret 2014, Ünay 2013, Zhou & Peng 2013, Lemoine 2013).

During the past decade, the world suffered an economic and financial crisis: 2007–2008 North Atlantic financial crisis, 2008–2009 a global economic crisis, and public financial crisis 2010–2012, especially focused on Eurozone (Pomfret 2014). Economic recovery is still on the way, especially in Europe, and the countries as well as their economies and citizens are struggling. Through the economic crisis, the nature of the relationship between the advanced economies and emerging ones has evolved, furthermore emerging and developing countries have created stronger ties among themselves (World Economic Forum (later WEF), Global Competitiveness Report (later GCR) 2013:19, Baer & Esfahani 2013).

Finland on the other hand, is part of the Eurozone and currently undergoing a recession with the other euro area countries. Exportation is a vital form of creating employment and securing economic stability in Finland. China has been of great trade importance to Finland for many years, as seen in Table 1. During 2013, China was still the fifth largest trading partner to Finland after Russia, Sweden, Germany, and the Netherlands (Finnish Customs, 2014). Exports and trade outside domestic markets are very important to the Finnish economy. In the era of globalization, especially for small countries, international markets have become a substitute for domestic markets (WEF, GCR 2013:24).

Table 1. Trade between Finland and China in 2002–2013 (1–11) (Finnish Customs 2012, 2014).

Trade between Finland and China in 2002–2013 (1–11)							
Year	Imports			Exports			Balance
	EUR million	Share %	Change %	EUR million	Share %	Change %	EUR million
2002	1 252	3,5	14	1 215	2,6	-3	-36
2003	1 582	4,3	26	1 283	2,8	6	-298
2004	1 978	4,9	25	1 965	4,0	53	-13
2005	2 820	6,0	43	1 556	3,0	-21	-1 264
2006	4 109	7,4	49	1 974	3,2	27	-2 135
2007	4 458	7,5	9	2 161	3,3	9	-2 297
2008	4 371	7,0	-2	2 060	3,1	-5	-2 311
2009	3 475	8,0	-21	1 857	4,1	-10	-1 617
2010	3 776	7,3	9	2 733	5,2	47	-1 064
2011	4 398	7,3	16	2 667	4,7	-2	-1 731
2012	4 601	7,7	5	2 606	4,6	-2	-1994
2013	3 388	6,4	-21	2 563	5,0	+6	-825
(1–11)							

Furthermore, as long as the emerging markets are important in the global economy, they are also important in the education of new business professionals. The future business graduates should take into account the declining hiring position of companies after the economic crisis, as well as the current labor markets where permanent employment is hard to come by. Therefore, business professionals, as well as companies in global trade, have to take differentiation into account. When it comes to business professionals, being proficient in cultural understanding is almost a must have skill nowadays.

Since China will still be one of the most influential countries in the current economic climate as well as in the future, it is worth arguing, that the business professionals today should be competent in knowledge of the emerging markets. Many people have found that cultural differences have hindered their ability to efficiently conduct business due to their lack of understanding of cultural differences, especially in China. Cultural intelligence and cross-cultural studies are brought up in almost all upper level institutions and education.

1.1 Background of the study

Chinese business has become the trend for the entire world since the formal opening of China in 1978. Advancements and progress in all areas have been great and the opportunities for foreign countries, like Finland, have been apparent since China joined World Trade Organization (WTO) in 2001. Chinese companies are expanding and dominating markets in for example, South Africa. As one of the BRIC countries (Brazil, Russia, India, China) China's continuous economic growth and increasing consumer spending power continues to attract foreign investors and foreign invested enterprises (Yuan, Kim, Dai & Arnulf 2014:23). Chinese markets provide multiple opportunities to Finnish companies for expanding quickly and taking advantage of their relatively cheap labor. This has already been recognized as an opportunity for Finnish multinational companies, like Elcoteq, Kone, Konecranes, Metso, Nokia, Stora Enso, UPM Kymmene, Vacon, and Wärtsilä, which all have operations in the People's Republic of China.

Business transactions in companies are dealt with people who agree on mutual goals and terms on how to proceed to an agreement that is agreeable to both parties involved. This transaction is called *business negotiation*. The world has become globalized and business negotiations are made with parties from other countries thus business negotiations are nowadays *international*. Mutual contracts between countries and companies are created through negotiations. Negotiation is also an interaction between two or more parties who are working together in order to find mutual understanding in negotiation table (Rivers 2009:475, Pruitt & Carnevale 1993).

Negotiations are the turning point in business processes abroad in starting new partnerships. Cultural differences, individual differences, company goals, intercultural communication conflicts et cetera, all lower the possibility for success in international business negotiations. This raises a question; if so many things can compromise everything in the negotiations, how can negotiations ever end in a positive outcome? All European negotiators should understand Chinese behavior before entering into business relationship with the Chinese and proceed successfully (Woo & Prud'homme 1999:313).

Since China has such an important impact on Finnish trade, as shown in Table 1, it is important to study the cultural factors impacting Finnish-Chinese business negotiations. It is vital for interacting parties to study the background of others' culture and business practices which might vary greatly between different countries. The rising Chinese economy in world business in the twenty-first century and given the "mystery" of this country to outsiders, research would be valuable to both business practice and academic understanding alike (Gao, Ballantyne & Knight 2010:271). Since Finnish companies still are somewhat in developing stages in the Chinese business environment, preparing for future business situations and negotiations is important.

The main goal for this study is to describe differences and similarities between Finnish and Chinese cultures, and the likely problems that could rise in business negotiations from the cultural basis between the Finnish and the Chinese, and then provide managerial implications and advice how to avoid these problems. This thesis will use the results of the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program (House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W. & Gupta, V. 2004) as a base for detailed comparison of the differences and similarities of Finnish and Chinese cultures in order to draw directions how to prepare for negotiations in the cross-cultural situation between Finns and Chinese. The managerial implications are the result of the empirical qualitative interviews done with eight top level managers in two Finnish international companies (ABB, Wärtsilä).

Negotiations with the Chinese have been studied mostly from American perspective (Zhu, McKenna & Sun 2007, Lytle & Rivers 2007, Graham & Lam 2003, Zhao 2000, Al-Khatib, Vollmers & Liu 2007, Chen 2001) or from other than Finnish perspective, Western or Chinese (Ambler & Witzel 2000, Blackman 2000, Fang 2006, Ghauri & Fang 2007, Woo & Prud'homme 1999, Sheer & Chen 2003, Gao et al. 2010, Kumar & Worm 2003, Buckley, Clegg & Tan 2006, Ghauri & Usunier 2003). As far as the researcher is aware, Finnish-Chinese negotiation has not been studied in the field of international business, which implies there is a research gap in Finnish-Chinese business negotiations. Ramström (2005) studied Finnish-Swedish companies in China and Worm (1997) Sino-Scandinavian business cooperation. These two researches are relevant for this thesis, but

differ from their perspective: Finnish culture is different from those of other Nordic countries and thus cannot be generalized as a part of Scandinavia (Ramström 2005:74).

Cultural differences between Finland and China are evident since Finland is seen as an individualistic country and China as a collectivistic country (Hofstede & Hofstede 2004) indicating that the Finnish and the Chinese place different value for personal relationships in business. Also, Kumar and Worm (2003) argued that there is a wide cultural gap between Northern Europeans and the Chinese. Northern Europeans are egalitarian and the Chinese are hierarchical. The larger the cultural gap the more problematical the interaction might be. These two cultures also differ in their orientation towards building relationships for successful negotiations which indicates that for example, pre-negotiation situation might be reviewed very differently from the Finnish negotiators' perspective compared to the Chinese negotiators' perspective. Negotiation success with the Chinese depends mostly on the quality and the duration of *guanxi* relationships between the Western and Chinese (Chen 2001:141) but this concept does not exist in Finnish business relationships to the same extent.

1.2 Objectives of the study

The first objective of this study is to describe similarities and differences in Finnish and Chinese cultures using Project GLOBE's cultural research. The theoretical findings will be used to conduct questions for the empirical research that is done through qualitative interviews. As a result, the practical experience of the interviewees provides evidence how the theory based on cultural comparison of Finnish and Chinese cultures matches the reality.

The second objective of this study is to present managerial implications for Finnish managers how to prepare themselves for Chinese negotiations and what details to take into consideration. These managerial implications are the result of empirical qualitative interview data of eight interviews with eight executive business managers working in international Finnish companies.

The research question of this thesis is *how differences in Finnish and Chinese cultures affect Finnish-Chinese business negotiations*.

This thesis provides insight to cultural similarities and differences between Finnish and Chinese business managers and information to Finnish managers how to prepare and succeed in Chinese business negotiations. Because there are evidently differences between the countries and cultures, mistakes, misunderstandings and other problems may arise during the negotiations. Many misunderstandings in negotiations can be avoided with preparation and getting to know the opposite culture beforehand.

Success in negotiations with the Chinese depends greatly on the quality and the duration of *guanxi* relationships. As unknown parties, Westerners need to show personal commitment to the Chinese and the negotiation phase is the critical time to do so. (Chen 2001:141).

The target culture is Chinese and the business negotiations will be most likely held in China, it is the Finnish business people's responsibility to be well prepared for this unknown culture that is so different from theirs. Because of the growing economic importance of China, western negotiators are more and more likely to find themselves across a Chinese negotiator (Rivers 2009:473).

1.3 Scope of the study

The objective for the theory part of this thesis is to research both Chinese and Finnish national cultures in a way that could then implicate what the negotiation situation would be like in reality. To understand international negotiation, it is vital to know the cultural aspects from both parties. Culture may influence negotiation processes and outcomes, therefore, it is important to understand the dynamics of interactional processes among negotiators from different cultures (Kumar 1996:5). The theoretical part of this study uses GLOBE research of cultures. The cultural dimensions used in this study are: *performance orientation (PO)*, *future orientation (FO)*, *individualism vs. collectivism*, *power distance*,

and *uncertainty avoidance* (UA). GLOBE research is used for this study to show that there are similarities between Finnish and Chinese cultures that eventually could explain how Finnish and Chinese get along in business negotiation settings.

GLOBE research is preferred in this thesis over for example Hofstede (1991) and Trompenaars (1993/1997) since GLOBE research is the widest, most recent study that defines both Finnish and Chinese cultures using the same scale in all five cultural dimensions, thus enabling comparison to be made between Finnish and Chinese cultures. GLOBE research is also used because it is the only wide range cross-cultural study where practices and values in cultures are defined and examined separately with empirical evidence. Trompenaars and Hofstede did not have precise enough information of both Finnish and Chinese cultures in either of these researches to be used in this thesis and cultural comparison.

Both Hofstede and GLOBE studies have received critique. Venaik and Brewer (2013) as well as McSweeney (2013) argue that there is a misuse of cultural dimensions, that interpretation of a national cultural dimension to individuals and organizations cannot be made. They argue that it is unrealistic to assume that for example, according to studies of Hofstede and GLOBE since Japan is a collectivistic country, all Japanese are collectivistic. “Descriptions of the characteristics and origins of sub-national level behavior based on a priori depictions of national culture values are invalid and implausible” McSweeney argues (2013:485). The generalization of these cultural studies therefore should be used with caution. Regarding this issue, the results of this study have been formed from the wide experiences of professional businessmen and GLOBE study cultural dimensions and other cultural research literature.

This study concentrates on the cultural context of mainland China, here meaning the People’s Republic of China (PRC), later called China. This study will exclude the overseas Chinese i.e. Taiwan, Singapore, Indonesia et cetera. Overall concentration is to the cultural contexts of China and Finland, and how these two parties could succeed together in the negotiation situation taking into consideration for example, cultural assimilation. Inside China there are 50–60 different nationalities and each one has its own culture. Therefore, it is impossible to try to include all of the Chinese culture variation to

this study, thus the concentration will be the overall unifying aspects of Chinese national culture, and some generalizations have to be made.

Many of the research of Westerners negotiating with the Chinese have been made in the USA and thus the opposite culture has been American. European and especially North-European cultures differ a lot from the American culture and not much research if any has been made from these perspectives and negotiation with the Chinese.

The empirical research part of this thesis will deepen the understanding of Finnish-Chinese interactions in business negotiations based on the experience of eight business executives interviewed for this study. The theoretical and empirical research together then provide the conclusions in which practical advice for Finnish business people entering into Chinese negotiations is provided. Even the most experienced researchers in the field have difficulties obtaining empirical evidence from the Chinese because of the limited access and the bureaucracy. Thus, in the empirical qualitative research in this study seven Finnish managers and one Indian manager who has lived in Finland and has experience of Finnish people, are interviewed.

This study concentrates on upper high level managerial negotiations between Finnish and Chinese managers. Nearly all the interviewed managers obtain high level positions in their respected companies and have large decision making power. Furthermore, the negotiations the interviewees in this study have had, have been in most cases buyer-seller negotiations. Also, since all the interviewees in this study are from industrial companies providing for example motors and ship engines, the scope is business-to-business negotiations (B2B).

The scope of this study is concentrated to a Finnish perspective on the Chinese negotiations mainly because there was no information available to the researcher from Chinese especially in empirical research. The researcher in this study is still somewhat biased being a Finn herself.

1.4 Key concepts and definitions

The most important definitions relevant for this thesis are explained here. Culture is the most important viewpoint in this study regarding negotiation. In this study Chinese culture plays the main role, since here the assumption is that negotiations are done in China between Finnish and Chinese managers. The concepts of *guanxi* (relationships) and *mianzi* (face) have been identified the most important cultural traits according to researchers. For the reader to understand better the context of this study, these cultural conditions are also shortly explained.

National Culture is the “collective programming of the mind acquired by growing up in a particular country” (Hofstede 1991). Culture is “shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives that are transmitted across generations” (GLOBE 2004:15).

Negotiation is an interaction between two or more parties who are working together to resolve incompatible goals (Lytle & Rivers 2007:4, Pruitt and Carnevale 1993). Negotiation is a universal process designed to settle disputes, and this fundamental property is to be found in all negotiations (Kumar 1996:4; Gulliver 1979).

Guanxi (关系) is a word in Chinese language, meaning *connections* or *relationships*. *Guanxi* means relationship built on preexisting relationships. *Guanxi* can also be understood as “special relationships” (Gao et al. 2012:458; Yang 1994), “particularistic ties” (Gao et al. 2012:458; Hwang 1987) or “pervasive networks or social relationships” (Li & Wright 2000:369). Generally, in Chinese culture, *guanxi* is a “hierarchically structured network of relations” (Wong & Leung 2001:33).

Mianzi (面子) is a word in Chinese language translated as *face*. *Mianzi* can be translated as the concept of “face”. In the Chinese business context foreigners must give face to the Chinese and avoid actions that will cause them to lose face (Rivers 2009:482, Fang 2006).

1.5 Structure of the study

This thesis consists of six chapters, and the structure of the study can be seen in Figure 1. The first chapter, the introduction, begins with the background of the study and continues with objectives of the study, limitations, key concepts and structure of the study.

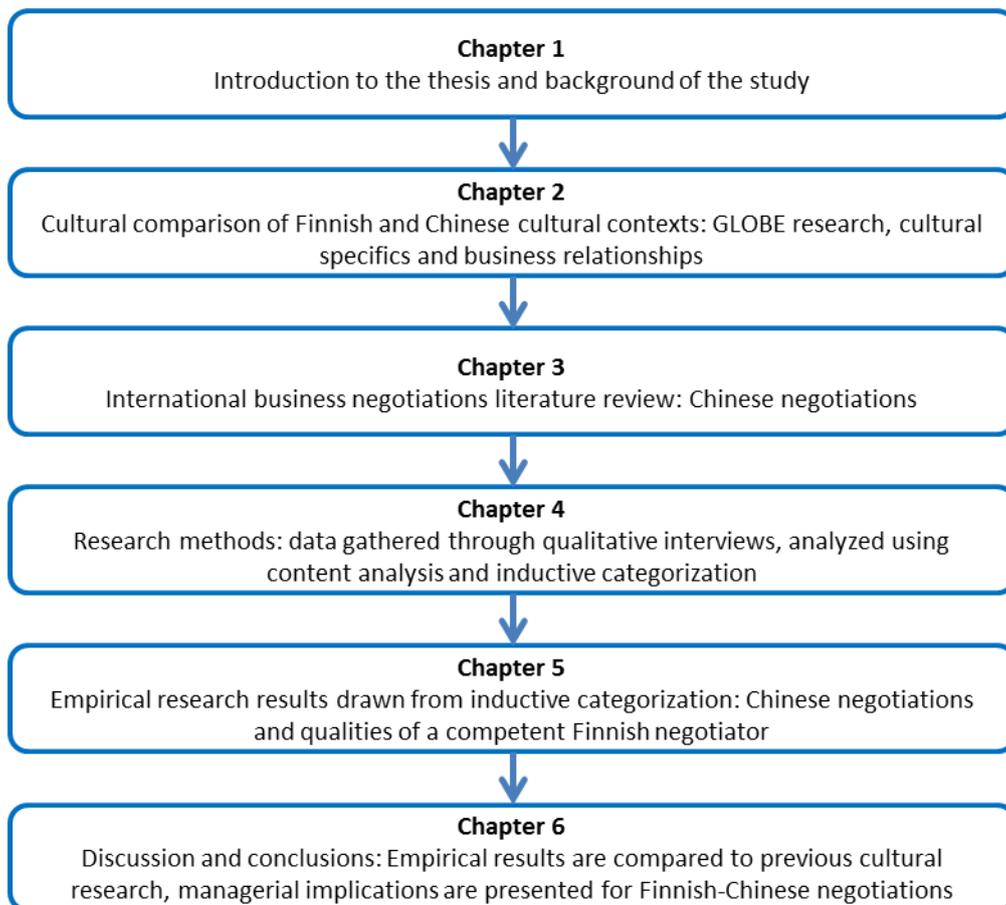


Figure 1. The structure of the study.

The second chapter introduces the intercultural contexts of Finnish culture and business relationships and Chinese culture and business relationships, and examines two major concepts of Chinese culture that also impact on Chinese business. These two concepts are *guanxi*, business relationships and connections in a collectivistic society, and *mianzi*, the concept of preserving face in a group.

The second chapter also contains description in intercultural contexts in relation to business negotiations and then compares Finnish and Chinese business cultures in the context of business negotiations using the GLOBE study findings and cultural aspects of *performance orientation, future orientation, individualism vs. collectivism, power distance, and uncertainty avoidance*. With this comparative research there will be an objective to find similarities and differences between Finnish and Chinese cultures, thus this information could be used by the managers who prepare for negotiations in Finnish-Chinese context.

The third chapter describes international business negotiations from an intercultural perspective and discusses the negotiation process. Chinese negotiations and their cultural impact on negotiations for Westerners are discussed.

The fourth chapter, the research method, provides insight on the research methods used in this thesis. The qualitative research method is used in this study. Interviews were conducted using semi-structured interviews. Data collected was transcribed from audio to written text. Gathered interview data was analyzed using content analysis method.

The fifth chapter consists of empirical data of the qualitative interviews of eight upper level managers and the content analysis of interview data and results. The results show similarities between the theory of Chinese culture and previous research made of Chinese negotiations.

The sixth and final chapter of this research is summary and conclusion of the entire study. The final chapter draws guidelines for managers preparing for Finnish-Chinese negotiations. Suggestions for future research are presented.

2 FINNISH AND CHINESE CULTURAL CONTEXTS

Since China has increased its presence globally, the importance of knowing the characteristics of Chinese culture has become a significant issue. Thus it is important for all managers, especially those making business with the Chinese, to know some aspects of this culture. Finnish companies increasing involvement and cooperation in China make knowledge of the Chinese culture important also for Finnish managers. Culturally-skilled business professionals are essential for the effective management of corporations, cooperatives, and projects in the global business world (Harris & Moran 1987:23).

This chapter describes both Finnish and Chinese cultural contexts and business relationships in these cultural contexts. As a definition, context includes both structural and contextual factors such as personality, social context, and environmental factors. A negotiator's cultural values influence how he or she reads the negotiation situation, which in turn influences one's behavior (Rivers 2009:474, Gelfand & Dryer 2000, Lytle & Rivers 2007). In this chapter the GLOBE cultural dimensions of Finnish and Chinese cultures are compared to show that there are similarities between the two cultures that could explain how Finns and Chinese get along in business negotiations.

2.1 Cultural dimensions

Finnish and Chinese cultural contexts are compared through the Global Leadership and Organizational Behavior Effectiveness study selected five cultural dimensions: *performance orientation, future orientation, individualism vs. collectivism, power distance, and uncertainty avoidance*. GLOBE researchers made a cultural study of 62 countries, including China and Finland, and all reported findings are based on average scores of respondents in each society (House et al. 2004:235). The five cultural dimensions are chosen to this study because cultural dimensions are relevant to the negotiation processes (Zhu, McKenna & Sun 2007:356). Cultural dimensions were valued in two contexts, *practices* and *values*, meaning that how people act in their cultural

context can differ from the actual values behind actions and belief systems. This study uses the findings of GLOBE study's cultural dimensions and divides them also to practices and values sections as used in the GLOBE study.

Findings by GLOBE research are not absolute and cannot be strictly generalized, because in every culture, there are vast cultural variations since in every culture there are minorities, ethnic cultures and furthermore culture also varies among geographical areas in a country. The GLOBE study assessed all cultural dimensions in two ways: practices and values. *Practices* (As is) meaning "in this society people are generally" and *Values* (Should be) meaning "people in this society should". Both of these versions of the cultural dimensions are used in this study. All scores given in each dimension were assessed from scale 1–7. Figure 2 shows the meaning of measurement scale 1–7 in both practices and values in power distance. Furthermore, all countries in one cultural dimension were divided to bands (A,B,C,D), and countries that scored close to each other were directed into the same band, showing no significant difference between each other.

Practices						
In this society, power is: (reverse-coded)						
Concentrated at the top				Shared throughout the society		
1	2	3	4	5	6	7
Values						
In this society, power should be: (reverse-coded)						
Concentrated at the top				Shared throughout the society		
1	2	3	4	5	6	7

Figure 2. Example of Power distance in GLOBE study's scale: practices and values (Javidan et al. 2006:900).

The GLOBE research distinguishes between cultural values and practices because of its view that national culture can be broadly defined as "values, beliefs, norms, and behavioral patterns of a national group". The researchers found that cultural values do not necessarily imply what the practices in one culture might be. Practices in societies are in

most cultural dimensions negatively correlated with values; actions of people do not necessarily show values and which values people appreciate. (Javidan et al. 2006:899). Table 2 clarifies in short all cultural definitions and provides sample questionnaire items used in GLOBE research and this thesis. All cultural dimensions are explained below in detail.

Table 2. Culture construct definition and example questionnaire items in GLOBE research (House et al. 2002:6).

Culture construct definitions	Specific questionnaire item
<p>Performance orientation: The degree to which a collective encourages and rewards group members for performance improvement and excellence.</p>	Students are encouraged (should be encouraged) to strive for continuously improved performance.
<p>Future orientation: The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future.</p>	More people live (should live) for the present rather than for the future (scored inversely).
<p>Collectivism I (Institutional collectivism): The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.</p>	Leaders encourage (should encourage) group loyalty even if individual goals suffer.
<p>Collectivism II (In-Group collectivism): The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.</p>	Employees feel (should feel) great loyalty toward this organization.
<p>Power distance: The degree to which members of a collective expect power to be distributed equally.</p>	Followers are (should be) expected to obey their leaders without question.
<p>Uncertainty avoidance: The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate unpredictability of future events.</p>	Most people lead (should lead) highly structured lives with few unexpected events.

Performance orientation reflects the extent to which a community encourages and rewards innovation, high standards, and performance improvement (House et al. 2004:239). The findings suggest that high performance orientation and desire to belong to a high-performance oriented and successful society is a basic human need.

Future orientation is the degree to which society encourages and rewards future-oriented behaviors such as planning ahead and delaying gratification. Future orientation is a key factor of guiding human behavior and is the extent to which members of a society or an organization believe that their current actions will influence their future, focus on investment in their future, believe that they will have a future that matters, believe in planning for developing their future and look far into the future for assessing the effects of current actions. (House et al. 2004:282–285).

Individualism vs. collectivism cultural dimension is the extent to which people are autonomous individuals or embedded in their groups (House et al. 2004:440). Therefore, individualism vs. collectivism refers to the relationship between an individual and a group. The researchers divided individualism vs. collectivism into two categories: Institutional collectivism (organizational: the degree to which institutional practices at the societal level encourage and reward collective action) and In-Group collectivism (societal: the degree to which individuals express pride, loyalty, and interdependence in their families). (House et al. 2004:463).

Power distance is the degree to which a community maintains inequality among its members by stratification of individuals and groups with respect to power, authority, prestige, status, wealth, and material possessions (House et al. 2004:537).

Uncertainty avoidance refers to the extent to which members of collectives seek orderliness, consistency, structure, formalized procedures, and laws to cover situations in their daily lives (House et al. 2004:603).

2.2 Introduction to Finnish cultural context

According to the research by Lisa Hoecklin (1995) Europeans in general are cautious, express reservations, separate business and private life, prepare what they say, collaborate cautiously, have fewer friends, accept hierarchy as based in the nature of things, avoid mistakes, take pride in oneself and one's group, and differentiate male and female roles.

Other research made of Scandinavian people by Worm (1997) describes Scandinavian people's thinking as analytical and abstract. They also have relatively high degree of individualism combined with very strong female traits and the degree of interpersonal trust and solidarity is relatively high. Scandinavians are also efficient, few of words and imply little difference between people, groups, classes, and even sexes. Lehtonen (1999) describes Finns having strong national identity, great respect for nature, and strong stress on individual's personal responsibility, and being determined, and tenacious.

Finland was the first county in the world to give voting rights to women, in 1906. Due to Finnish history of appreciating both women and men as equals, gender equality is very high in Finland. Most women are working, and many hold leading positions that are similar in income and authority to those of men. (Katz 2006, 2007:5). Even though monetary assets are valued as a goal in working life, family and leisure time have increased their meaning contrary to Finnish business life. Finland is one of the countries in Europe which have the lowest hourly working time per week. Life quality and leisure time thus play an increasingly important role to managers in the Scandinavia. (Worm 1997:87).

Finns are seen as straightforward, honest, reliable, extremely direct, brief, pessimistic, realistic and melancholic. The Finnish characteristic of desire for solitude may explain some of the Finns silence in public discussions, and introvert personality. Finns have high standards of honesty, stamina, workmanship, reliability, safety, and education. Finns are also keen on self-respect and inner harmony. (Lewis 2005:88). Solitude, peace, loneliness, and personal space are well valued and wanted by the Finns (Lewis 2005:153, Hall 1967:50).

Finland belongs to the Western cultural part of the world where for example individualism is valued over being part of a group. Finnish culture can be evaluated as low context culture where emphasis is on the task at hand rather than on developing a relationship (Kumar 1996:11). Informal personal style and direct communication style are favored in Finland; sometimes Finns are seen as offensive when they speak their mind bluntly.

Finnish national identity has been shaped from the European identity, finally transforming to Finnish identity under Swedish and Soviet rule throughout the centuries. Finns are very nationalistic since they have had to fight for their independence repeatedly. Foremost the Finnish national identity was shaped in 19th century through Finnish language, literature, visual arts, architecture, and music. (Hall 1967:51).

2.2.1 Finnish culture according to cultural dimensions

Performance orientation

The Finns are medium performance oriented in practice, and have high performance values. Finland, as a Lutheran country, is has protestant ethic, where fostering for hard work and worldly performance is appreciated (House et al. 2004:241). In the GLOBE research, Finland scored 3.81 in society *practices* (average 4.10) and 6.11 in society *values* (average 5.94) for performance orientation. Finland scored below average on society practices and higher than average on society values, meaning that the Finnish society values performing well, supports and rewards good performance more than in practice organizations and people do.

These findings thus mean that the society in Finland has high performance orientation; valued aspects are education and learning, emphasizing results, setting high performance targets, value taking initiative, and prefer explicit and direct communication.

Future orientation

People in Finland are medium future oriented meaning that there are both planning for the future as well as focusing on the present moment. In GLOBE research *future orientation* Finland scored 4.24 in society *practices* (average 3.85) and 5.07 in society *values* (average 5.48). Thus Finland scored a little higher than average on future orientation practices and little lower than average on future orientation values. Since the results show Finland being medium-future oriented, both the society and people value

and practice future orientation virtually the same. Still Finnish people are long-term committed and plan for the future and evaluate different outcomes in the light of the possible future. Finland scored higher than China in future orientation practices which may partly be attributable to Northern European societies' political stability and socioeconomic status (House et al. 2004:305).

Individualism vs. collectivism

Finland is an individualistic country, as in individual is more important than the group. Individuals are encouraged to be independent from a very early age on. According to Hofstede and Hofstede (2004:80) people from individualistic countries hold values such as tolerance of others, harmony with others, non-competitiveness, trustworthiness, being conservative and close friends important. In GLOBE research **Societal Institutional Collectivism Practices** Finland scored 4.63 (average 4.25) and in *Values* 4.11 (average 4.72). Thus in institutional settings Finland scored much higher than average in practices, and lower than average in values concerning the degree to which institutional practices at the societal level encourage and reward collective action. Therefore in working life people are in practice independent individuals: Finns act more collectivistic in institutional settings than what their values are. In **Societal In-Group Collectivism** dimension, Finland scored in *Practices* 4.07 (average 5.13) and in *Values* 5.42 (average 5.66). Thus in the degree to which individuals express pride, loyalty, and interdependence in their families Finnish people do not show these in practice but value these characteristics more than they show in practice. Finland scored higher in in-group values than in practices which means, that authority is respected, there are fewer rules and little structure, which is consistent with Finnish companies where structure is quite flat, see Power distance below.

Power distance

Power distance in Finland is partly due to fact of belonging to Lutheran church, where concepts of equal status before God, egalitarianism of access to God, individualist assertion, and hence lower power distance before other human beings is used (House et al. 2004:520). Finland is a very egalitarian and low power distance society which

translates as Finnish companies being quite flat and superiors being easy to approach and talk to. In Power Distance *Society Practices* Finland scored 4.89 (average 5.17) and in *Society Values* 2.19 (average 2.75). Finland scored lower than average in society practices meaning that Finns prefer a less equitable distribution of power, even though power distance is practiced in Finnish society (House et al. 2004:541).

Finland had second lowest power distance *values* score in this section, meaning that the society values extremely low power distance and values equality. Finland thus belongs to a culture where society has power distance practices, low values score of Finland in power distance means that the Finnish society does not value power distance and encourages equality and Finnish society values encouraging power balances. As said in research GLOBE, this lower value of equal power distribution may also reflect that some degree of power differentiation is functional in providing incentives to aspire to gain power positions through hard work and capability development (House et al. 2004:541).

Uncertainty avoidance

Finland has medium-high level of uncertainty avoidance. In GLOBE research, Uncertainty avoidance *Societal Practices* (As is) Finland scored 5.02 (average 4.16) and in *Uncertainty avoidance Societal Values* (Should be) 3.85 (average 4.62). In societies that scored high on uncertainty avoidance practices and lower in uncertainty avoidance values, uncertainties are reduced through institutional collectives. Low uncertainty values societies tend to desire for more flexible schedules in working life and usually are technologically developed countries. (House et al. 2004:621–623). Both China and Finland have high uncertainty avoidance practices.

2.2.2 Finnish business relationships

Finland belongs to the Western business world where time is money, and making contracts does not require necessarily personal relationship with the opposite party, although personal relationships and trustworthiness are valued. Finns may interpret that

the long lasting business relationship will be formed as the parties do business together. Finnish business people, especially individuals in younger generations, are usually experienced in interacting and doing business with people from other cultures. (Katz 2006, 2007:1).

Finland is an easy country for foreigners, relationship wise, since there is no strict customs or etiquette to be followed in business relationship. The differing social customs of foreigners are viewed with understanding and occasional amusement, but the foreigners do not find themselves in the position of committing errors of social conduct that could be fatal for the business relationship (Finnish Literary Society 1997:63). Therefore, the Finns can be seen as tolerant in their business relationships.

In the country's business culture, the respect a person enjoys depends primarily on his or her achievements. Admired personal traits usually include sincerity and seriousness, humility, knowledge, and expertise. (Katz 2006, 2007:1). Business meetings usually do not include small talk from the Finns. In conversations, Finns may use long pauses and silence as they reflect upon what has been said and think beforehand what to answer. Finns prefer to maintain a certain level of formality with colleagues (Lewis 2005). Finns may be cautious, appearing reserved and proceeding very slowly. Business relationships in Finland exist between companies and individuals; these relationships may take a long time to develop, but are strong and helpful in case a difficult situation appears in business. Personal relationships with colleagues are not as important as in other business cultures, and some competition can be seen in business teams. (Katz 2006, 2007; Lewis 2005). It is not required to build friendships with business (Gorrill 2009:2).

2.3 Introduction to Chinese cultural context

China is an emerging country in the international market. Since it started its "open-door" policy in 1978, it has witnessed tremendous changes in terms of economic growth and international business development. (Zhu, Bhat & Nel 2005:66). China is the oldest existing empire and has the oldest cultural traits in the world. Inside China there are 50–

60 different nationalities and each one has its own culture, but in this study Chinese culture will be somewhat generalized and concentrated on mainland China and its culture.

Chinese culture embeds multiple philosophies as in Taoism, Buddhism and Confucianism, of which Confucianism is the greatest underlying philosophy guiding Chinese society. Confucianism means the behavioral or moral doctrines that are based on the teachings of Confucius regarding human relationships, social structures, virtuous behavior and work ethics. Thus, relationships are structured to deliver optimum benefits for both parties. For each relation, certain behavior principles must be followed to ensure a harmonious society. (Fan 2000:4).

In Confucianism there are *five great relationships*: between the ruler and the ruled, between father and son, between older and younger brother, between husband and wife, and between friends. The emphasis being in ethics and relationships mean that in China an individual can only be understood in relation to others. (Worm 1997:36; Wong & Leung 2001:32).

There are multiple values in Chinese culture that relate to interpersonal relations and social orientation and are rooted in Confucianism. Fan (2000:5–6) collected 41 cultural values of Chinese society including group orientation, collectivism, attaching importance to long-lasting relationships not gains, obligation to one's family and nation, orientation to the past, and taking a long range view.

There are few extremely important cultural characteristics and values that differ greatly from Western thought. This study highlights two of these cultural characteristics of Chinese culture: *guanxi* (关系), relationships building, and *mianzi* (面子), the concept of "face". These cultural concepts exist in Western cultural norms to some extent, but not in the same as in Chinese culture. These two cultural characteristics are discussed later in this chapter.

2.3.1 Chinese culture according to cultural dimensions

Performance orientation

China scored in performance orientation scored 4.45 in society *practices* (average 4.10) and 5.67 in society *values* (average 5.94), meaning that Chinese value performance orientation more than they actually practice. Especially Confucian values emphasize working hard, perseverance and learning new skills, which explains the Chinese higher value in performance orientation.

Future orientation

China scored 3.75 in society *practices* (average 3.85) and 4.73 in society *values* (average 5.48) in future orientation dimension. Societies reporting weaker practices of future orientation have stronger aspirations for future orientation (House et al. 2004: 306). Surprisingly the Chinese practice less future orientation than they value. The socioeconomic status and political climate in China is not as stable as in Finland, therefore the practice of future orientation is different.

Individualism vs. collectivism

In **Societal Institutional Collectivism Practices** China scored 4.77 (average 4.25) and in *Values* 4.56 (average 4.72). Thus in institutional settings China, like Finland, scored higher than average in practices, and lower than average in values concerning the degree to which institutional practices at the societal level encourage and reward collective action (House et al. 2004). Much of the Chinese culture in practice and values is unspoken rules therefore in practice the institutions do not award behavior although it is expected.

In **Societal In-Group Collectivism** dimension, China scored in *Practices* 5.80 (average 5.13) and in *Values* 5.09 (average 5.66). This shows that the Chinese practice in-group collectivism much more than they actually value. The Chinese are collectivistic and there is no individual decision making, group is preferred over individual.

Power distance

In Power Distance *Society Practices* China scored 5.04 (average 5.17) and in *Society Values* 3.10 (average 2.75). The Chinese place lower value on encouraging power balances. The power distance values score of China means that the Chinese would prefer even more power distance most likely due to Confucian thought. Both Finns and Chinese are quite content with the current power distance in their societies. Power distance is reported to be the least desirable, but the most prominent feature of social practices in countries around the world (House et al. 2004:539).

Uncertainty avoidance

In uncertainty avoidance *Societal Practices (As is)* China scored 4.94 (average 4.16) and in uncertainty avoidance *Societal Values (Should be)* 5.28 (average 4.62). GLOBE respondents of China reported in highest band on both values and practices of uncertainty avoidance (House et al. 2004: 621). In societies that score high on uncertainty avoidance practices (both Finland and China) the uncertainties are reduced through institutional collectives (House et al. 2004:623).

2.3.2 Chinese business relationships

On the contrary to the Finnish cultural context setting, in Chinese society relationships are highly valued both in personal and business life. Chinese society is a high context culture where developing a social relationship is an important prerequisite.

In Chinese culture, business and social ties are closely linked together, due to Confucian cultural heritage and family values, both maintained and reflected in business practices. *Guanxi*, meaning relationships and personal connections, is a cultural setting which without Chinese business relationships cannot be established. In order to establish *guanxi* developing relationship based on reciprocal respect, friendship, effort and contribution is a must. (Zhu, Bhat & Nel 2005:72)

Cultural dimensions can have an impact on the strategies for business relationship building. According to research from Zhu et al. (2005) Chinese executives place a clear emphasis on friendship, trust, honesty, reciprocity and care and without these *guanxi* could not be achieved successfully. They agreed that power relations play an important role in developing *guanxi* in the Chinese context. Also, in Chinese culture it is found important to observe a certain level of hierarchy. One business executive, for example, pointed out that “showing adequate level of respect to old age and people of senior ranks” was an important strategy. (Zhu et al. 2005:65–73). Cultural values play an important role in Chinese business relationships and business cannot be conducted in China without proper *guanxi*. The most important cultural values in China, according to Ambler and Witzel (2004), are age, hierarchy, and authority with “face” and the importance of self-esteem and dignity in addition with the balance between individual and group orientation.

Emerging markets are relationship societies, where business networks are developed through personal relationships. Business networks are embedded with other networks in society (Ramström 2005:14) which is why the Chinese business culture and society is relationship based. Thus to understand Chinese business one needs to understand Chinese business relationship. In the ethnic Chinese context business relationships are built on social relationships, and personal relationships are nearly always prerequisite for developing other types of business activities (Ramström 2005:5; Jansson 2005). The Chinese view everyone outside their in-group as strangers to be responded with extreme caution.

2.3.3 *Guanxi* (关系): business relationships and networks

There are two especially important cultural traits in Chinese culture that differ from all the other cultures in the world. These two traits are *guanxi* (relationships) and *mianzi* (face). The Chinese word *Guanxi* (关系) means relationship built on preexisting relationships. Generally, in Chinese culture, *guanxi* is a hierarchically structured network of relations (Wong & Leung 2001:33). *Guanxi* can also be understood as “special

relationships” (Gao et al. 2012:458; Yang 1994) or “particularistic ties” (Gao et al. 2012:458; Hwang 1987). Establishing a real *guanxi* connection with the Chinese can take years of careful relationship building, starting with visits to each other’s’ offices in home countries. *Guanxi* related elements are *mianzi* (i.e. face), *renqing* (i.e. favors), and *ganqing* (i.e. feelings) (Gong, He & Hsu 2013:366; Yang 1994).

The first step towards a *guanxi* connection is to find common ground with the Chinese, usually through introduction through a third party (Kumar 1996:8). It is highly important to notice, that in China business relationships are nurtured between individuals, not between companies or enterprises. It is also important in *guanxi* networks to build your contacts with multiple individuals, not just with one employee.

Especially, relationships to Chinese government are important in forming business relationships in China. *Guanxi* is an important concept for understanding relationship building in the Chinese culture. All relationships are dictated by Confucianism’s five relationships. These relationships precede any context, and situations and everyone has a pre-scribed social role in order to keep the harmony, order and stabilization of the society. Of these five relationships four are hierarchical which indicates the importance of social influence and authority. (Zhu et al. 2005:66). Government, the law and *guanxi* all interweave and are hard to separate. To the Chinese people cultivating and using relationships is second nature, a natural part of the environment and doing business. (Ambler & Witzel 2004:119). Thus *guanxi* is maintained and reinforced through continuous, long-term association and interaction (Tung & Yeung 1996:55). All these relationships are also important in business negotiations with the Chinese.

Even with this strong emphasis on close *guanxi* relationships it is possible for outsiders who have not established *guanxi* to conduct business with the Chinese (Chen 2001:48). In the early stages of the relationship, showing interest to opponents background can facilitate the development of *guanxi* as well as showing interest to opponents family, since family unit is highly valued in Chinese society (Chen 2001:53). In research made by Tung and Yeung (1996:60) Chinese businessmen identified *guanxi* as the most important key success factor for long-term business. In their study between American and Chinese they found that while knowledge of cultural differences on the part of the Americans will not

always guarantee success, its absence (ignorance of Chinese culture, including the role *guanxi*) usually leads to failure.

When the relationship proceeds and becomes more involved and personal, an outsider can get “upgraded” in Chinese *guanxi* network as seen in Figure 3. The closer the intercultural relationships get to local *guanxi* networks, the less innovative and more complicated the intercultural business relationships will be (Gao et al. 2010:270).

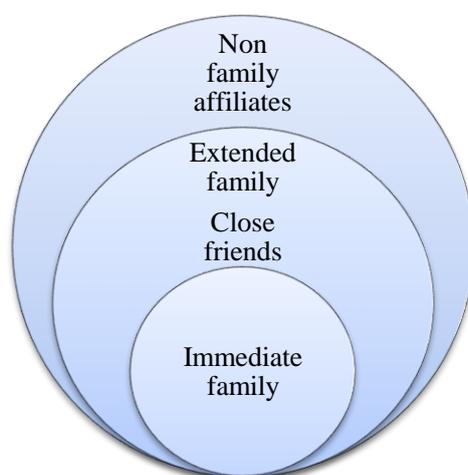


Figure 3. *Guanxi* networks (Chen 2001:49).

The norms of Chinese interpersonal behavior clearly distinguish in-group from out-group people, such as strangers, which is why the Chinese society is organized concentrically to *guanxi* circles, extending from the family to relatives, friends, and so on. (Lee & Dawes 2005:30).

The development of *guanxi* converts a person who was merely an acquaintance into a type of in-group member, and thus this developed relationship can be further deepened with exchanges of favors as the means of maintaining the relationship (Ellis 2009). The returning and offering favors and gifts are made in order to save face (*mianzi*) and develop *guanxi* relationships (Shou, Guo, Zhang & Su 2011:503). According to research by Zhu and Zhang (2007) Chinese business people placed clear emphasis on friendship, trust,

honesty, reciprocity, and care, without which *guanxi* could not be achieved successfully, and the most successful way to initiate *guanxi* was through introduction by a third person that both parties knew. In maintaining *guanxi*, interpersonal relations are further developed involving both partnership and friendship (Zhu & Zhang 2007:387).

There are multiple different ways to define *guanxi*. Some researchers argue that there are many different types of *guanxi*. Gong, He and Hsu (2012) define two types of *guanxi*: role-based hierarchical *guanxi* endorsed by Confucianism and soil-rooted egocentric *guanxi* derived from daily practices of Chinese people. The first type has its roots in Confucianism and emphasis on relationship and behavioral guidelines advocating collectivism and the stability of society (Gong et al. 2013:363). In the second *guanxi* self is defined in the center with circulating stack of *guanxi* network circles different distances from the self. The person self is in the center of the network/circles, rather than the role that the self is assigned in a hierarchical structure (Gong et al. 2013:364; Fei 1992). Most importantly from organization's perspective, the desired result of *guanxi* practice is to be beneficial for the organization (Gong et al. 2013:367). The role of interorganizational trust and importance of *guanxi* in doing business in China is emphasized in their research.

Li and Wright (2000) argue that Western managers should define between inter-firm *guanxi* and interpersonal *guanxi*, since if the business is conducted merely through tight personal connections, personnel transfer might erupt the business. Their empirical evidence of 43 Chinese managers suggests that *guanxi* in China refers to both interpersonal and interorganizational relationships (Li & Wright 2000:372). The second result was that *guanxi* in China also covers relationships made through an intermediary. Opposite to Western networking, the Chinese *guanxi* depends more on "face" and reciprocity and less on legal contracts. Figure 4 shows Li and Wright (2000) *guanxi* development process in China.

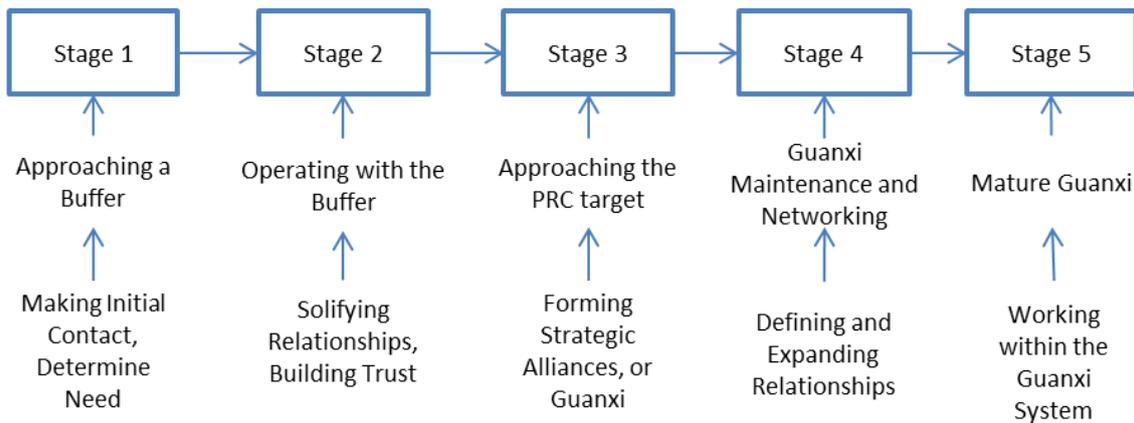


Figure 4. A conceptual framework for developing *guanxi* (Li & Wright 2000:375).

Gao, Knight and Ballantyne (2012) describe *guanxi* having gateway ties that connect inner and outer circles of relationships: “*Guanxi* gateway ties connect insiders and outsiders only when people from inner circles and outer circles meet and work together for the instrumental purpose of obtaining passage across the cultural divide” (Gao et al. 2012:464). The *guanxi* gateway ties are ways for the Western managers to connect with the Chinese managers in order to create business advantage and personal relationships. The gateway tie is presented in Figure 5 Gao et al. (2012) also define *guanxi* formulation through preexisting relationships and social and business transactions involving particularistic trust. On the contrary to Li & Wright (2000) study results, they differentiate firm-to-firm relationships being outside of the range of “culturally significant personal and social networks in China”.

The ethical considerations of *guanxi* have also been studied. Szeto, Wright and Cheng (2006) present that favors and reciprocity in *guanxi* relationships can make Western managers doubtful of the ethical aspects of close personal relationships in China. As implication they suggest careful planning for company-to-company relationships and for example gift giving procedures especially since “banquets and souvenir gift giving are routine expenses in terms of China”.

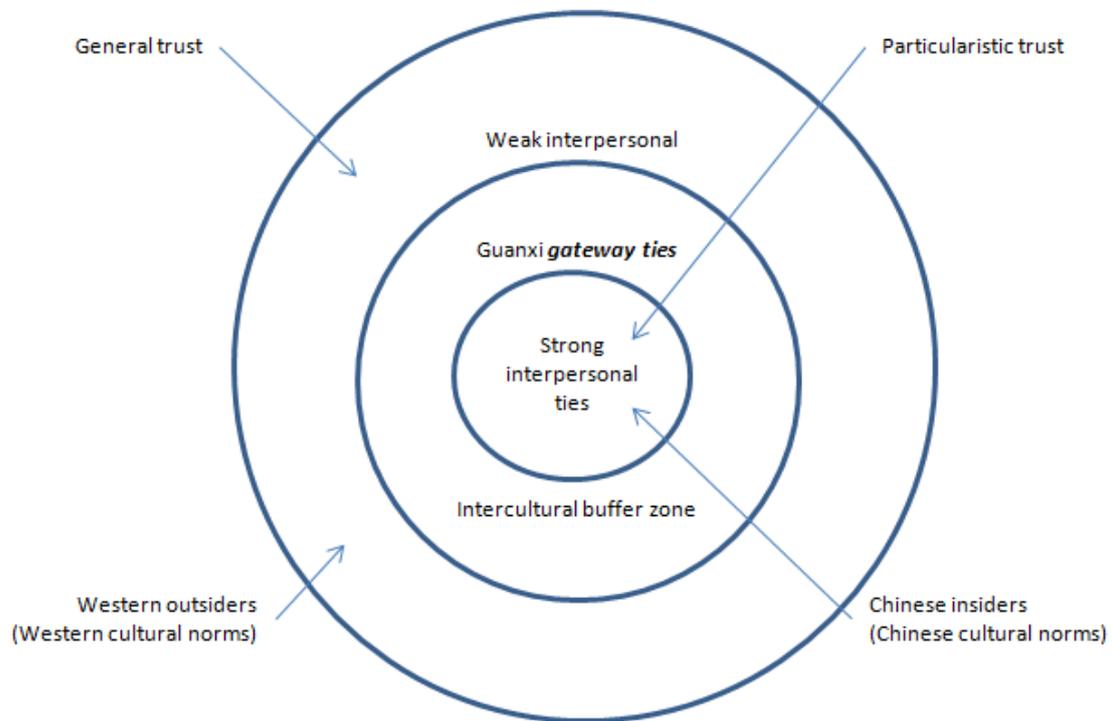


Figure 5. The gateway ties strategy of *guanxi* in Chinese-Western business relationships (Gao, Knight & Ballantyne 2012:464).

The research of *guanxi* is still limited. Gao, Knight and Ballantyne (2012) argue that “given the importance of *guanxi*, the lack of research of Chinese-Western business relationships in marketing suggests that our knowledge of how relationships are guided and constrained by Chinese and Western cultural norms is still rather limited”. All the researchers of *guanxi* and social networking in China still recognize the huge impact that personal relationships have within the Chinese business.

2.3.4 *Mianzi* (面子): concept of face

The Chinese word *Mianzi* (面子) is “the recognition by others of an individual’s social standing and position” (Buckley, Clegg & Tan 2006:276). *Mianzi* can also be defined as a person’s positive image of him- or herself in a relational context (Shou et al. 2011:504).

Chinese are sensitive to face issues because of the cultural emphasis on enduring relationships and social networks which is encouraged by Confucianism. In Confucianism's five relationships face (*mianzi*) is both a goal to achieve ideal personhood and a means to ensure harmony and the proper social order. (Cardon & Scott 2003:11).

Mianzi can be translated as concept of "face" and in Chinese business context foreigners must give face to the Chinese and avoid actions that will cause the Chinese to lose face (Rivers 2009:482, Fang 2006). If a foreigner causes Chinese businessman to lose face, the entire business relationship can fall for this mistake. Especially losing face in front of the colleagues or superiors of the other Chinese is crucial mistake which can hardly be undone. First and foremost the negotiation process in a culture which values "face" is bound to be slow (Kumar 1996:9) since building personal relationships will be developed only during a long period of time. The concept of "face" is universal but varies across cultures. Collectivistic societies are more conscious of face than individualistic societies. Face according to Cardon and Scott (2003) is an evaluation of a person regarding his or her status within a social structure. Their comparison of Western business face concept and the Chinese business face revealed that the Western view of face is fairly simple and less pervasive compared to the complexity and centrality of that of the Chinese. This means that Chinese extremely value giving face and fear of losing it opposed to Westerners, such as the Finnish, that do not recognize face as important factor in business relationships.

In Chinese business culture, a person's reputation and social standing rest on saving face. *Mianzi* defines a person's place in his or her social network; it is the most important measure of social worth (Graham & Lam 2003:9). According to Lee & Dawes (2005) the concept of face refers to a person's claimed sense of positive image in a relational context, and it is gained by performing one or more specific social roles that are well recognized by others. Furthermore they state that face describes a person's proper relationship with his or her social environment, and its importance lies in the consequence of living in a society that is conscious of social contexts. In addition, face is lost when people, either through their actions or the actions of those closely related to them fail to meet essential requirements placed on them by virtue of their social position. A loss of face brings shame

to people and their family, and causing others to lose face is considered an aggressive act by those whose face has been discredited. (Lee & Dawes 2005:34).

According to Leung and Chan (2003) a person receives face as respect, pride, and dignity as a consequence of his or her social achievement. Their term “*face work*” is described as “complex package of social skills to protect his/her face and the face of others in Chinese relational setting”. *Face work* together with *guanxi* affect the Chinese behavior at social, political, and organizational levels (Leung & Chen 2003:1576). Furthermore face is introduced to have two dimensions *lien* and *mianzi*, former representing the confidence of society in the integrity of a person’s moral character, and the latter representing reputation achieved through success in life. *Mianzi* therefore cannot be possessed without visible success in matching well-established expectations in social hierarchy.

The way to gain more face is through developing relationships with other individuals of high status or through personal achievement. Face can also be gained through maintaining and expanding high-profile business relationships, developing well known business brands, and procuring favorable business deals. (Cardon & Scott 2003:12).

Thus both *guanxi* and *mianzi* are intertwined together and both are needed to ensure business success in the Chinese cultural context. *Guanxi* and *Mianzi* are together the most important parts of Chinese culture, nurturing both will create trust between cultural diverse partners, for example Finnish and Chinese.

2.4 Comparing cultural dimensions of Finland and China

The comparison in this section of Finnish and Chinese cultures is made through the GLOBE study’s five cultural dimensions: *performance orientation*, *future orientation*, *individualism vs. collectivism*, *power distance*, and *uncertainty avoidance*. This comparison is made to determine whether there are any similarities between Finnish and Chinese cultures. These similarities then could be advantageous in business negotiations between the representatives of the two cultures.

2.4.1 Societal cultural comparison: Practices

Cultural features of Finnish and Chinese in GLOBE research cultural dimensions showed that there are few distinct similarities in some of the cultural dimensions. Finland and China had virtually **same** Societal cultural *Practices* in cultural dimensions of Individualism vs. Collectivism (societal institutional i.e. Collectivism I), Power Distance, and Uncertainty avoidance. Finland and China had **different** but not very far from each other scores in societal cultural *Practices* of Performance orientation, and Future orientation. Finland and China were **extremely different** from each other in societal cultural *Practices* mostly in In-Group collectivism, where the scores were at the opposite ends of the scale. Thus we can conclude, from the evidence provided in Section 2.2 and 2.3, and from the comparison made in Table 3, that Finland and China have same societal cultural practices in three cultural dimensions (institutional collectivism, power distance, and uncertainty avoidance), Finland and China have different but not extremely different, societal practices in two cultural dimensions of performance orientation and future orientation, and finally Finland and China have extremely different societal practices in In-Group collectivism.

Table 3. Societal cultural comparison of Finnish and Chinese cultures: *practices* (GLOBE research, House et al. 2004).

SOCIETAL CULTURE COMPARISON (practices)			
Dimension	Finnish	Chinese	Degree of similarity
Performance orientation (variation min. 3.20–4.94 max)	3.81	4.45	Slight difference
Future orientation (variation 2,88–5,07)	4.24	3.75	Slight difference
Individualism vs. Collectivism (societal institutional) (variation 3.25–5.22)	4.63	4.77	Very similar
Individualism vs. Collectivism (societal In- Group collectivism) (variation 3.53–6.36)	4.07	5.80	Great difference
Power Distance (variation 3.89–5.80)	4.89	5.04	Very similar
Uncertainty avoidance (variation 2.88–5.37)	5.02	4.94	Very similar

In societal practices, Finland and China have as much in common as they differed from each other. In GLOBE research all countries in one cultural dimension were divided to bands (A,B,C,D), and countries that scored close to each other and were directed into same band, showed no significant difference between each other. Finland was in same band with China in three cultural dimensions (societal institutional collectivism, power distance, and uncertainty avoidance) meaning that in these dimensions, Finland and China have virtually exactly same societal practices (see Figure 6 and Table 3). Consequently it could be assumed, that where there are slight differences between Finnish and Chinese in cultural dimensions, compromises could possibly be made in practice between these two cultures (especially in negotiations). Finnish and Chinese could possibly get well along in practice since there are more practical similarities in cultural dimensions than differences.

Very similar societal practices	Slight differences in societal practices	Very different societal practices
<ul style="list-style-type: none"> • Societal institutional collectivism (Individualism vs. Collectivism) • Power Distance • Uncertainty Avoidance 	<ul style="list-style-type: none"> • Performance orientation • Future orientation 	<ul style="list-style-type: none"> • In-Group collectivism (Individualism vs. Collectivism)

Figure 6. Differences and similarities between Finnish and Chinese cultures in societal practices according to GLOBE research.

Institutional collectivism assessed whether group loyalty is emphasized at the expense of individual goals, whether the economic system emphasizes individual or collective interest, whether being accepted by other group members is important, and whether individualism or group cohesion is valued more in the society (House et al. 2004:463). The similar scores from Societal Institutional Collectivism indicate that both Finnish and Chinese institutions encourage and reward virtually the same collective action, and same degree group cohesion is valued. It is important to be accepted by other group members and the economic system as both in China and Finland emphasizes collective interest. Thus being a team player is important in the institutional settings both in Finland and in China. It has been found that the Chinese members of a collective culture, emphasize

group goals and needs, and strive to maintain relational harmony (Lin & Miller 2003:290; Zhu, McKenna & Sun 2007:357). The Chinese are also much more concerned with preserving harmony and saving face than abiding by rules and abstract principles in negotiation situation (Berton, Kimura & Zartman 1999:22).

In *power distance practices*, in both Finnish and Chinese society power distance is practiced similarly, even if in Finland, it is not as valued as in China. During the negotiation process the Chinese will evaluate opposite negotiation parties *status* to gain indication of the seriousness of the foreign party. Furthermore the age of the other party has to be taken into consideration. (Rivers 2009:481). This is due to high power distance in values in the Chinese culture, which on the other hand could be hard for Finnish to understand, since Finnish values for power distance are very low. In case Finnish and Chinese would be working together in a company, cooperation would be easy in light of extreme similarities in power distance practices. Research of northern Europeans and Chinese carried out by Kumar and Worm (2003) suggests that there are major cultural differences between northern Europeans and the Chinese, and also considerable differences between the negotiation styles of north Europeans and Chinese. One of the foremost findings was that the Chinese managers had a good understanding of the northern Europeans' business objectives but the northern European managers did not have as good an understanding of the goals and objectives of their Chinese counterparts.

High *uncertainty avoidance* in both China and Finland means that both societies are structured, orderly, and rules and regulations regulate societal practices. Institutional collectives in both countries are used to reduce uncertainty avoidance.

2.4.2 Societal cultural comparison: Values

In Societal Cultural *Values* Finnish and Chinese have less in common: the only cultural dimension where values of both cultures were the **same** was Future orientation societal values-dimension. **Slight differences** in societal values were found in three cultural

dimensions: performance orientation, institutional collectivism, and in-group collectivism. **Extreme differences** between Finnish and Chinese values were found in two cultural dimensions: power distance and uncertainty avoidance. See Table 4 for societal cultural values comparison between Finnish and Chinese cultures.

Similarity in future orientation values would mean that both the Finnish and Chinese societies value investment to the future, the individuals in both societies believe that they can affect their future and will have a future that matters, and also these societies believe in planning for developing their future and looking far into the future for assessing the effects of current actions. Future orientation is valued the same in both Finnish and Chinese societies, and individuals in these two societies believe that future should be valued. (House et al. 2004).

Table 4. Societal cultural comparison of Finnish and Chinese cultures: *values* (GLOBE research, House et al. 2004).

SOCIETAL CULTURE COMPARISON (values)			
Dimensions	Finnish	Chinese	Degree of similarity
Performance orientation (variation 4.92–6.58)	6.11	5.67	slight difference
Future orientation (variation 4.33–6.20)	5.07	4.73	Very similar
Individualism vs. Collectivism (societal institutional) (variation 3.83–5.65)	4.11	4.56	slight difference
Individualism vs. Collectivism (societal In-Group collectivism) (variation 4.94–6.52)	5.42	5.09	slight difference
Power Distance (variation 2.04–3.65)	2.19	3.10	great distance
Uncertainty avoidance (variation 3.16–5.61)	3.85	5.28	great distance

Slight differences between Finnish and Chinese culture's values were found in performance orientation, institutional collectivism and in-group collectivism. Finns have higher value for performance orientation of an individual than the Chinese have, perhaps the Chinese value more group efforts and encourage in group performance orientation, which is supported by the fact that the Chinese have higher institutional collectivism values. The Chinese institutions thus value more collectivism than Finnish institutions

do. In case of in-group collectivism, the values are lower with the Chinese than with the Finns. This is probably due to fact that Finland is an individualistic society, where efforts of an individual are valued and through that status is gained, and as the opposite the Chinese do not value single individual. The Chinese practice more in-group collectivism than they seem to value, which seems contradictory.

There were very high differences in power distance and uncertainty avoidance values between Finnish and Chinese cultures. This indicates that the Finnish society and the Finns themselves are more tolerant towards uncertainty than the Chinese are. The Chinese also value high power distance opposed to the Finnish that do not value power distance. It could be hard for Finnish business people to understand the exact amount of value that should be given to people with different ranks, statuses and positions in the Chinese culture, which are not the same values among the Finns. When negotiators score high on uncertainty avoidance, one can be relatively certain that the negotiators will be adverse to divulging information, proposing new approaches or increasing the risk of uncertainty (Ferraro 2006:130).

Very similar societal values	Slight differences in societal values	Very different societal values
<ul style="list-style-type: none"> • Future orientation 	<ul style="list-style-type: none"> • Performance orientation • Institutional collectivism (Individualism vs. Collectivism) • In-Group collectivism (Individualism vs. Collectivism) 	<ul style="list-style-type: none"> • Power distance • Uncertainty avoidance

Figure 7. Differences and similarities between Finnish and Chinese cultures in *values* according to GLOBE research.

Figure 7 shows what values Finnish and Chinese have in common, what values are slightly different, and which values are totally different from each other. High differences in both Finnish and Chinese values could imply that there could be differences in thinking

processes; thoughts between Finnish and Chinese and how they make decisions based on their values differ greatly. According to the GLOBE research Finnish and Chinese seem to have similar future orientation, which is medium-short in both cultures, which is the only similar cultural value that both cultures share.

3 INTERNATIONAL BUSINESS NEGOTIATIONS

Business professionals engaged in the negotiations in an international business setting come from different backgrounds and have varied culturally influenced negotiation styles. The Chinese have created unique business and negotiation practices that the Western business negotiator should be familiar with. This chapter introduces the international business negotiation process and qualities the negotiations entail in cross-cultural settings. Furthermore, the preparations before the negotiations with the Chinese are important since the Chinese value relationship building and trust before entering into any deals with Western businessmen.

3.1 International business negotiations

Extensive research is conducted on the international business negotiations. During recent years, especially Chinese negotiations, have gained much attention (Berton et al. 1999, Woo & Prud'homme 1999, Blackman 2000, Zhao 2000, Sheer & Chen 2002, Ghauri & Usunier 2003, Graham & Lam 2003, Kumar & Worm 2003, Shi & Wright 2003, Buckley 2006, Fang 2006, Al-Khatib et al. 2007, Ghauri & Fang 2007, Zhu, McKenna & Sun 2007, Rivers 2009). This chapter briefly discusses the studies in international business negotiation and the contents what international business negotiations are about.

According to Ghauri and Usunier (2003:3-4) negotiations are a basic human activity that happens in everyday life, both in business and civil life situations. Rivers (2009:475) describes negotiations as an interaction between two or more parties, who are working together to resolve incompatible goals. Pruitt and Carnevale (1993) define negotiations as a deliberate interaction between two or more entities who are attempting to define or redefine the terms of the interdependence in a matter. Negotiation is an interaction between two or more parties who are working together to resolve incompatible goals. (Lytle & Rivers 2007). Business negotiations are voluntary, and take place to achieve a win-win situation where both negotiation parties would be satisfied with the negotiation

result. International business negotiations are usually experienced by participants who do not share the same cultural background.

Business negotiations typically happen because two or more companies want to come to an agreement of some kind of business transaction that would be beneficial for both. Negotiations are gone through by individuals representing companies. Many factors have an impact on the negotiations; the number of buyers and sellers, personal relationships, cultural backgrounds, organizational culture, negotiation environment, behavior of negotiators, personality of negotiators et cetera. Business negotiations are a complex situation which negotiator has to prepare for, not just for the business outcome, but also for the possible cultural factors affecting the negotiations. Especially cultural differences make the business negotiations both more interesting and more difficult for parties coming from opposite cultures. Sheer and Chen (2003) argue that “negotiators’ national culture is often found to exert an important influence on the negotiation process: national culture shapes negotiators’ assumptions and thoughts, which then directs strategy formulations and mild behavioral patterns. Culture or cultural incompatibility thus serves as a common explanation of international business negotiation failures”.

Research from Berton, Kimura and Zartman (1999) concentrated on negotiations in Japanese, Chinese, Russian and European Union context. According to their research, negotiation is an interaction between actors, whether individuals, institutions and organizations, and this interaction is guided by cultural contexts, structures, negotiation strategy, processes and cultural values. Kremenyuk (1991) and other researchers studied practice of negotiation, existing approaches of negotiation, international negotiation in different areas and negotiation education and learning. According to research, negotiation is a multiple-actor communication where multiple-issues are discussed through multiple-stage events to reach a joint decision.

Hernández Requejo and Graham (2008) studied international commercial negotiation through American perspective, special attention was given to Indian, Mexican, and Chinese negotiation styles. According to this research, the most important factor impacting negotiations is culture, and many negotiators face problems because of cultural differences. Hendon and Hendon (1990) agree culture being a major factor in

international negotiations. Their research focused on nature of negotiation, tactics and countermeasures in negotiation, and culture. Sheer and Chen (2003) also found in their research that cultural dimensions of *guanxi* and *mianzi* were impacting international business negotiations with Chinese.

3.1.1 Cultural implications on negotiations

Negotiators' national culture is often found to exert an important influence on the negotiation process (Sheer & Chen 2003:51). National culture shapes negotiators' assumptions and thoughts, directing strategy formulations and mild behavioral patterns. A common explanation of international business negotiation failures is culture or cultural incompatibility. (Sheer & Chen 2003:51; Buckley, Clegg & Tan 2007:277). Cross-cultural communications may weaken a company's position in the market, prevent it from accomplishing its objectives, and ultimately lead to failure in negotiations (Huang 2010:196).

The negotiators' ethic code, way of thinking, personality and behavior are all affected by culture (Jiang 2013:110). Graham and Lam (2003) found that American executives often failed to recognize the importance of culture in Chinese business negotiations and thus negotiations often failed. Gao et al. (2010) found in their research that Westerners often found Chinese culture based relationship building difficult to understand. Cultural differences can create misunderstandings and problems in negotiations when two parties, who do not know each other, and perhaps have little experience of each other's culture, try to communicate together. Cultural differences are identified as one of the main roots for relationships complexity and conflicts (Buckley et al. 2006:277). The clear understanding of Chinese and their businesses can help the Westerners to avoid possible problems and misunderstandings that can threaten good business relationships between the East and the West (Chen 2001:13). Business without borders is going to be the next global trend as globalization proceeds, all companies will have to address the problems and opportunities in their cross-cultural business environment.

As shown earlier, culture seems to have most impact in international business negotiations. Lin and Miller (2003) studied the impact of national culture to negotiations between the US and Chinese negotiators. Their research showed that cultural variables impacted on negotiation approaches. Zhu, McKenna and Sun (2007:359) found in their research that Confucian cultural traits were a major cultural factor triggering barriers to the Chinese versus American-Australian business negotiations.

In international business negotiations, the context where negotiations are held changes: there might not be shared values, interests, goals, ethical principles, or cultural assumptions between the negotiation parties (Ferraro 2006:128). Thus, it could be assumed, that especially in situations with two very different cultures, Finnish and Chinese, preparations are useful. In a Western deal-oriented business culture Finns are used to being straightforward and concentrating on the contract and not relationships. The approach of getting to the business at hand immediately, may be regarded as rude and impolite (Rivers 2009:482, Li & Labig 2001) especially by Chinese counterparts, who prefer getting to know the opposite negotiator personally before diving into business deal details. Thus knowing about the culture of the Chinese before the initial meetings or pre-negotiations will decrease culture shock at the negotiations.

Cultural factors and negotiators' cultural background affect negotiators' decision making. Having knowledge of the foreign culture beforehand is advantageous for both Finnish and Chinese negotiators. It would be important and profitable for both parties to acknowledge, what are the main differences and faults why companies, in this case especially Finnish companies, fail in their negotiations in China; how did the failure begin; what might have caused problems and; how did the companies possibly survive failure and rebuild their operations and business relationships with the other party? Negotiations in China can fail for many reasons: if Western managers do not pay enough attention to status and rank, the Chinese might be offended and call the deal off because of the lack of respect (Chen 2001). Outbursts of irritation or frustration to the Chinese will be taken as offensive and the deal can fall apart (Chen 2001; Graham & Lam 2003:85).

Consistency in negotiations is also important: the Western team should have the same negotiators throughout the negotiation process. If the negotiation team is different than the team in the following processes of the business relationship, Chinese can determine this as not respecting the relationship. Chinese business persons will have a difficult time building relationships with and trusting their Western counterparts without adequate attention to status recognition (face) from all parties. (Cardon & Scott 2003:10). The age of the negotiators also needs to be considered: The Chinese would regard it as impolite, feel insulted, and be dubious of Westerners sincerity if they dispatched a young and low-ranking employee to negotiate with them (Fang 2006:55).

3.1.2 Negotiation tactics and other implications

Ethical decision making and the use of ethically ambiguous negotiation tactics (EANTs) has been recently more and more studied in negotiation research. Fleck, Volkema, Levy, Pereira, & Vaccari (2013) studied 230 Brazilian businessmen in online negotiations. They found out that most of the professionals used more than one EANT during the course of the negotiations. The most commonly used first EANT by either party was extreme offer or demand (90 negotiations), followed by intentionally misrepresenting factual information (71 negotiations). In 83 percent of the negotiations where an EANT was employed, the first use of EANT was responded to with one or more EANTs. (Fleck et al. 2013:338–341).

Rivers and Volkema (2013) studied EANT preferences of Chinese and Australian respondents. The results indicated that “tricky” tactics were more accepted among the Chinese than Australian respondents. In each case, men rated the tactics as more appropriate than did the female participants. Still the Chinese rated the use of negative emotional tactics less appropriate than the Australians, most likely due to the preservation of face. Most appropriate tactic viewed by the Chinese was using or saying untruthful things e.g. giving misinformation. The study suggests there are substantial differences in

how Chinese and Westerners (at least Australians) view “tricky” tactics. (Rivers & Volkema 2013:17–27).

Business relationships are at the essence of business negotiations, without trust and the relationship between negotiators, the deal or the contract might not happen. Weck and Ivanova (2013) studied Finnish and Russian business relationships and cultural adaptation. Findings of this study were that the cultural adaptation is perceived as very important, especially in the initial meetings and further interactions. It was also found that Finns prefer to have knowledge of the other culture from other Finns with whom they share similar cultural background. The Finnish managers also perceived that there is a continuous need to learn new information while interacting with the Russians. Furthermore, cultural adaptation based on stereotype-free knowledge generally improves the quality of business relationships, and hence raises the level of trust. (Weck & Ivanova 2013:2014–218).

Gender equality in negotiations is also become a research issue in the area of international business. Researchers argue that women and men view for example using unethical negotiation tactics differently. Westbrook, Arendall & Padelford (2011) studied the angle between competitiveness and use of unethical tactics in negotiation. They found that women with healthy competitiveness were less likely to use unethical negotiation tactics than men. But the scale shifted when they compared hypercompetitive women and men: there was nearly no difference, if the person was hypercompetitive, they were most likely to engage in using unethical bargaining tactics in negotiation. According to their research the best choice for an organization would be a female with high score in personal development competitiveness (PDC) as the best choice to act in ethical manner in negotiations. (Westbrook et al. 2011:304).

As a new directory for negotiation research, online and internet-based negotiations are being examined. Since the business world is becoming more and more global, more and more communications are made through the internet. For instance, negotiations can take place in cyberspace technologies such as discussion forums, Skype, Yahoo Messenger, or other social media web sites such as Facebook, LinkedIn and other (Mujtaba 2013:190). E-mail based negotiations have also been studied, and especially in the case

of Chinese, face-to-face meetings are supported because of the highly important *guanxi* relationships the Chinese value also in business.

3.2 The negotiation process

Many researchers like Ghauri and Usunier (2003), Berton, Kimura and Zartman (1999), and Hernández Requejo and Graham (2008), argue that there are stages in business negotiations and that the pre-negotiation stage, consisting of the very first meetings and getting to know each other, is the most important for the future business relationship, especially in Chinese culture where personal relationships are highly valued (Woo & Prud'homme 1999; Ghauri & Fang 2007). Zhu, McKenna and Sun (2007) agree that initial meetings or pre-negotiations are most essential in Chinese culture context because Chinese tend to build personal relationships before the actual negotiation takes place. The pre-negotiations are often more important than any other part of the negotiation, because Chinese businesspersons place high value on personal relationships. Failure to understand the broader context of Chinese culture often leads to negotiation failures and unformed business relationships (Graham & Lam 2003:2).

Berton et al. (1999:111–113) divide the negotiation process into the pre-negotiation stage, the negotiation itself, and the post-negotiation stage. The pre-negotiation stage includes a commitment to negotiation and the arrangement of a conference. The first phase of actual negotiations is a period of assessment, of getting to know and sizing up the opposite number, of making the opening moves, and of developing possible scenarios toward reaching a satisfactory conclusion. The negotiation process according to Kremenyuk (1991:43) is divided to three stages; pre-negotiation (deals with obstacles to negotiation as well as hurdles in negotiation), a “formula” phase (negotiators narrow their divergence of interpretations of problems to be negotiated), and a “detail” phase (principles agreed upon are worked on). Hendon and Hendon (1990) divide the negotiation process to six stages: pre-negotiation, entry, establishing effective relationships through TOS (the other side), learning more about TOS and reformulating your earlier strategies, bargaining and

concession making, and reaching agreement. In their study in pre-negotiation stage, objectives are determined in relation to the opportunities presented by the environment and difficulties posed by situational factors.

Uncomfortable or conflict situations occurring in the negotiations can determine the outcome of the entire negotiation process. Failure during the pre-negotiation process and relationship building can result even in a negative negotiation outcome. (Zhu, McKenna & Sun 2007:360). Also, giving information to the opposite party can be difficult if any discomfort has taken place, which can then lead to meetings ending without any conclusion. Pre-negotiations are essential to negotiation especially in China since the Chinese tend to develop relationship or *guanxi* first before the actual negotiation takes place (Zhu, McKenna & Sun 2007:354). Thus initial meetings, also called pre-negotiations, are very important for successful business negotiations with the Chinese.

3.3 Chinese negotiations

Business negotiations in China require patience, tenacity and in-depth knowledge of Chinese culture and customs (Shi & Wright 2003:311). Zhu, McKenna and Sun (2007) found in their research that the northern European and Chinese negotiators had an incomplete or imperfect understanding of each other's goals and objectives due to the fact that Chinese negotiators were concentrating on building a personal relationship and northern Europeans focused on attaining the deal. The Finnish negotiators should understand the complexity of Chinese culture impacting the negotiation process, which in pre-negotiation phase means for Chinese mostly only building personal relationships through banquets and exchange of favors and gifts. Gifts act as expressions of friendship and symbols of hope for good future business, and banquets are formal ways to welcome a foreigner (Woo & Prud'homme 1999:320). In Western cultures as well as in Finland gifts are easily interpreted as unethical and bribery: preparation for the first meeting will not only mean introducing oneself the Chinese culture but also making sure that the Chinese culture of gifts for example does not cross western company ethics.

Chinese business negotiators often feel that the Europeans do not understand the Chinese way of negotiation (Kumar & Worm 2003:272). Therefore, keeping good *guanxi* with Chinese negotiators and spending sufficient time to develop understanding in the non-task sounding process (pre-negotiations) is the basis for achieving successes in business negotiations with Chinese (Zhu et al. 2007:361).

Especially, since Chinese negotiators are seen to be both sincere and deceptive in negotiations (Fang 2006:51), the relationship building in the pre-negotiation phase is essential to gain trust through close personal relationships with the Chinese in order to reduce the Chinese negotiators' probable deceptive negotiation tactics, i.e. withholding information, delaying negotiations, changing negotiation team often and other similar means. Important in Chinese business negotiation context is also, for the sake of creating personal relationships, to have good connections to high ranking Chinese government officials, since a fine *guanxi* with high-level officials in Chinese bureaucracy can smooth negotiation and generate good business (Zhu, McKenna & Sun 2007:358). Pre-negotiations will develop smoothly when built on pre-existing relationships (Kumar & Worm 2003:264) meaning introduction by a third party that both Finnish and Chinese know or referring to other high status businesspeople with face and social capital.

Moreover, there are other Chinese cultural factors that have to be taken into consideration. The two most important factors one should be conscious of when interacting with a Chinese team are "*guanxi*", which could be translated as personal relationships, and "*mianzi*", which means being receptive to the concept of face (Mujtaba 2013:194).

Research by Jin, Yu and Kang (2013) suggests that the Chinese traditional values are coexisting with new modern values and that the traditional values such as *guanxi* are hindering because of the Western business and culture influence. Their empirical research suggests that for example the pride of Chinese culture continues, but there is admiration to Western technology (Jin et al. 2013:182). Nonetheless, they admit the traditional values still having a strong impact in Chinese business, for example distinction between in-group and out-group, relationship building et cetera.

Vierregge and Quick (2011) studied whether the Asian generations X and Y are negotiating differently from the elder generations. Their research suggests that the negotiation behavior of the younger generations has shifted towards more Western style where more time is spent on bargaining than preparing the relationship in the earlier negotiation phases. Generations X and Y members from Asian cultures seem to be more individualistic than their elders, thus closing the gap between themselves and members of Western societies for this dimension (individualism/collectivism) (Vierregge & Quick 2011:322).

4 RESEARCH METHOD

4.1 Research Approach

Since the nature of this study is exploratory, to find out new insight to what is already well studied, international business negotiations, from a new perspective, Finnish-Chinese business negotiations, a qualitative research method was most suitable for this study. Qualitative research is uniquely suited to “opening the black box” of organizational processes, the “how”, “who” and “why” of individual and collective organized action (Doz 2011:583). Chinese business negotiations have also been widely studied, but mostly from the American perspective.

Qualitative exploratory research may help identify and understand new phenomena as they arise and assess the extent to which they are worthy of academic research (Doz 2011:584). As far as the researcher is aware, Finnish negotiations with the Chinese have not been studied, thus making this an interesting and worthwhile to study and giving new valuable information to the scientific community and business professionals in the negotiation field.

Qualitative methods can take us beyond Hofstede (1980) and GLOBE to generate new conceptualizations and interpretations of culture that will enable us to make sense of increasingly complex cultural phenomena (Birkinshaw, Brannen & Tung 2011:574). Qualitative research methods are also most widely used in cross-cultural research, being one more reason to use a qualitative method also in this research.

While deciding to use the qualitative research method, to get most out of the people and their experiences within Finnish-Chinese business negotiations, qualitative interviews were decided to be used. Saunders, Lewis and Thornhill (2012:372) define research interview as “a purposeful conversation between two or more people, requiring the

interviewer to establish rapport, to ask concise and unambiguous questions, to which the interviewee is willing to respond, and to listen attentively”.

4.2 Research Design

Based on theory collected from Project GLOBE, it was found that there are some similarities between Finnish and Chinese cultures, especially in practice. Thus the research should find out whether the Finnish and Chinese businessmen actually get along better in a negotiation situation compared to representatives of other cultures. To find out answers to the research question, how the culture affects Finnish-Chinese business negotiations, interviews were conducted to empirically test whether the Finnish and Chinese businessmen work together well and to what extent in negotiation situation.

4.2.1 Data Collection Method

To answer the research questions primary data needed to be collected. Due to the availability of business people, the interviewees in this study are mostly Finnish. Since the objective of this research is to gather information about the communication and interpretation of the relationships between Finnish and Chinese business people in negotiation setting, a qualitative research method was best suited. Research problems focusing on uncovering a person's experience or behavior, or when we want to uncover and understand a phenomenon about which little is known, are typical examples of qualitative research (Ghauri & Grønhaug 2010:105). Furthermore, in order to gain insight of the interactions and personal experiences of the business people involved in Finnish-Chinese negotiations, primary data had to be collected.

Primary data was collected using qualitative research interviews, especially using the semi-structured interview method. The benefit of the research interview lies in its unique

ability to uncover the private and sometimes uncommunicative social world of the interviewee, to gain insight into alternative assumptions and ways of seeing (Qu & Dumay 2011:255). In personal interviews, the interviewer attempts to gain information through face-to-face verbal communication from the interviewee.

There are three kinds of structural choices for the interview: structured, semi-structured and unstructured interview. This study utilized *semi-structured interview* data collection method. In semi-structured and unstructured interviews we often obtain information about personal, attitudinal and value-laden material, that call for social sensitivity (Ghauri & Grønhaug 2010:126). The semi-structured interview uses interview questions as guidelines for the interview, but additional follow up questions can be asked to confirm the issue or response at hand.

4.2.2 Interviewees

The interviewees of this study were mostly Finnish managers, who have extensive business experience with the Chinese, mostly during a period longer than five years. Altogether eight (8) businessmen were asked to be part of this research and they all agreed to be interviewees, total of four business men were Finnish-Swedish, three Finnish and one Indian. The Indian business manager was interviewed, since he could offer perspective of a foreigner who has the “outsider” view of Finnish culture and also understanding of the Chinese culture and negotiations with Chinese businessmen.

The accessibility of the higher level managers to the author was also one of the reasons these interviewees were chosen. As a location Vaasa provides many opportunities for academic researchers in technology company perspectives, for instance ABB and Wärtsilä have factories in Vaasa.

To protect the identities of the interviewees, names will not be disclosed in this thesis, only short descriptions of the managers, how their job has included relevant experience

concerning this study, and what they have learned about Chinese negotiations over the years. The profiles of the interviewees can be seen in Table 5.

Before including the interviewees to this study, inquiries were made how much Chinese business experience the interviewees had. All eight interviewees qualify with their long personal experience gathered over the years. Most of the interviewees have also been expatriates in Asia.

Table 5. Profiles of the interviewees.

No	Gender	Title, area of responsibility	International Business experience	Experience with Chinese
1	male	Marketing manager, Global sales	25 years international business experience since -91, expatriate 1 year /England, expatriate 1 year / Jakarta, Indonesia	10 years
2	male	General Manager, Project management	15 years international business experience since -98, expatriate 3 years/ Shanghai China	15 years
3	male	Business Development Manager	8 years international business experience	3 years, (lived in Finland 7 years)
4	male	Strategic Purchaser	9 years international business experience	9 years
5	male	Director, Strategic Account management	23 years international business experience, expatriate 6 years/ South-Korea	16 years in Asia; Korea, Taiwan, China, Japan, Singapore
6	male	Senior Project Manager	19 years international business experience	5 years
7	male	Vice President, Strategic Account management	20 years international business experience, expatriate 5 years/ Hong Kong	16 years
8	male	President	20 years international business experience, expatriate 3.5 years/ Hong Kong	20 years

4.3 Data Collection Process

Data was collected during spring 2013, February, and March. All eight interviews were conducted during this time period. Interviews were personal, one-on-one, individual

interviews, where only the interviewer and the interviewee were present. The data collection process can be seen in Figure 8. All interviewees were firstly contacted via e-mails and the date and place was chosen by interviewees themselves. All interviews were recorded and recordings later transcribed from audio to written text.

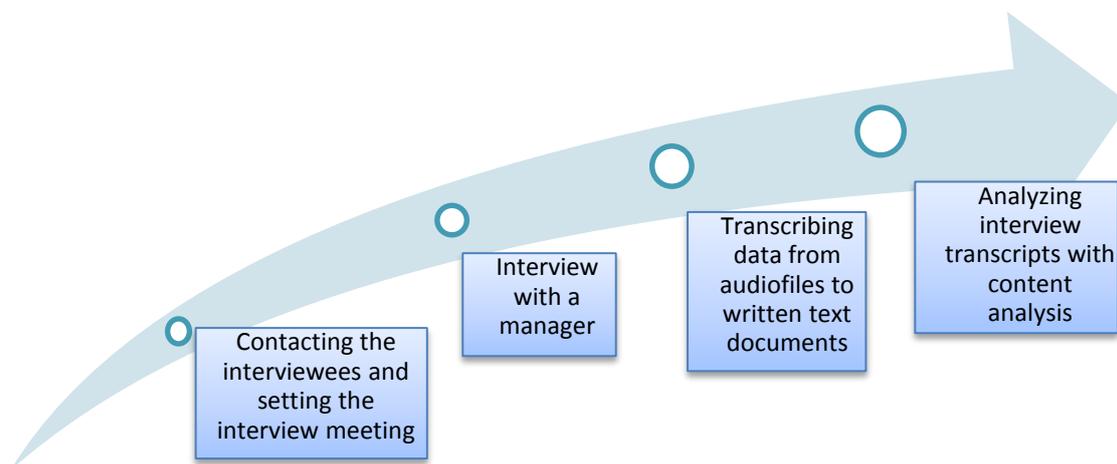


Figure 8. The data collection and analysis process.

4.3.1 Pre-Interviewing Process

The interview structure as mentioned before was chosen to be semi-structured, in order to guide the interview so that the interviewee could get a picture what the discussion topics in the interview would be. Interview questions were drafted to obtain information that could result in answers for the research question. The interview questions in Finnish can be seen in Appendix 1 and interview questions in English can be seen in Appendix 2. The original content analysis categorization matrix can be seen in Appendices 2–7. These appendices are provided for more clear understanding of the inductive categorization used in this thesis, also for future researchers who might want to use this data analysis method.

The pre-interview process consisted of contacting the interviewees and agreeing the interview date via e-mail, constructing the interview questions both in Finnish and in English, and acquiring a proper recording device for the interview process. The interview questions were, as mentioned before, translated into both English and Finnish, since apart

from the Indian businessman, all interviewees were either Finnish or Finnish-Swedish. Conducting interviews with interviewees own mother tongue would bring about the most truthful answers and information and increase reliability of the gathered data.

In order to be fully prepared the author also familiarized her to the interview process, what the interview situation would require from the interviewer and how to avoid personal bias in the interview situation.

4.3.2 Interviewing Process

All the interviews were held in the interviewees chosen location, usually workplace, conference room or the interviewee's own office. The interviewees were given the opportunity to choose the location, thus the interviews were held in a space most comfortable for the interviewees, thus increasing the reliability. Each interview is a unique environment consisting of the perspectives of the interviewee and the personal style of the interviewer (Qu & Dumay 2011:247).

The interviews were set to take no longer than thirty minutes, still all except one interview lasted nearly an hour, once the interviewees got expressing their experiences and sharing their knowledge on the subject. All the interviews were recorded for the most accurate recollection of data afterwards for the purpose of this research. All interviewees were asked permission to record the interviews.

In the beginning of the interview, the author expressed that the questions were simply to guide the interview, and the interviewee could share anything that came to their mind related to the subject and negotiations in general. Also, permission was asked from all the interviewees to record the interviews, confidentially. After setting the interview, the author started with the interview questions and interviewees shared as much as they felt comfortable.

During the interviews all questions were addressed, sometimes not in the order presented in the questionnaire. The questions for the interview were set to follow the conversation in order to the interview to have a closure. The researcher also wrote down notes during the interview even though the interviews were recorded.

More interviewees were contacted during the interview process. In the beginning of the interview process the researcher had only three interviewee contacts. The interviewees then referred the researcher to other possible interviewees with similar experience with negotiating with the Chinese.

Only one interview did not happen as expected since the interviewee was biased by his own very tight schedule and could not concentrate enough answering the questions during the interview while obviously thinking about the work meeting straight after.

4.3.3 Ethical Considerations

In every research there are also ethical considerations. The researcher for this study has fulfilled ethical considerations, including keeping the collected data safe, not releasing confidential information about the interviewees or the confidential details of the company that may have raised during the interviews. Also, during this research process there has been ultimate effort made to protect the interviewees' identity and dignity (maintaining confidentiality, preserving anonymity).

For the research paper itself the ethical considerations are not to refer to other research according to guidelines and following the writing instructions offered by the research community and the University of Vaasa.

All the interview data material was destroyed after the thesis was finalized to protect the anonymity and confidentiality of the interviewees.

4.3.4 Collected data

The collected data from the interviews were audio files (all the interviews were recorded) and the researcher's notes from the interviews: eight interviews altogether 5 hours and 33 minutes of recordings. The audio files were then transcribed word to word to 106 pages (page size A4, line spacing 1.5, margins 3 cm) of interview transcripts. The data was analyzed using content analysis to extract the truly valuable information of the Finnish businessmen in Chinese negotiations and what would be the qualities of a skilled Finnish business negotiator.

4.4 Data Analysis

The first step of the data analysis was transcribing the audio files into written text. From all the eight interviews altogether 106 pages interview data was reproduced from the recorded audio files.

Interview transcripts were then printed and analyzed carefully using the *content analysis* method. Content analysis can be used to analyze the transcripts of qualitative interviews, as is done in this research. The primary objective of content analysis is to reduce the often copious information to a manageable amount. Two main measures to reduce the amount of information are meaning condensation and categorization. (Blumberg, Cooper & Schindler 2011:294).

Since transcribing the audio files from qualitative interviews in this research produced 106 written pages, the amount of information available was sizeable. The researcher then categorized the interviews using the interview questions presented in Appendix 1 and 2. Open analysis of content analysis was used, where the researcher attempts to identify themes and topics in the source material. The objective is rather to read between the lines and to discover the full meaning of the source in its context. (Blumberg et al. 2011: 295).

4.4.1 Content analysis

This research uses qualitative content analysis as the interview text interpretation method. Content analysis is a systematic and objective way to analyze documents. Any type of written form can be a document in content analysis (interview, dialogue, letters, articles, books, et cetera). Content analysis fits to analyze unstructured data. With this data analysis, the objective is to present a compressed and general description of the research subject (Tuomi & Sarajärvi 2009:103). The result should be conclusions made from the structured data. Figure 9 shows the content analysis process.

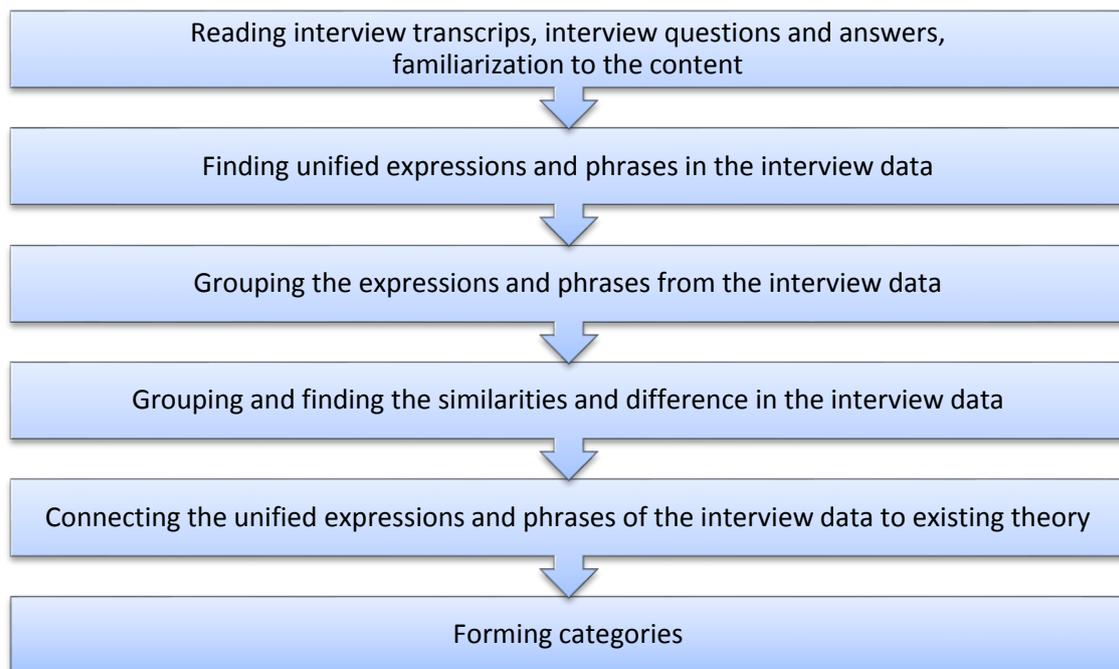


Figure 9. The content analysis process (modified from Tuomi & Sarajärvi 2009).

The first task was to read through the interview data multiple times so that the researcher would be familiar to the interview data. The second task was to find unified expressions and phrases from eight interviews.

Connecting similar expressions from 106 pages was difficult; therefore the researcher formed a matrix of all the interview data. In the matrix vertical columns were eight businessmen; on the horizontal columns were interview questions used. This matrix helped to see the broader picture of the interview data content. Table 6 shows the matrix from which the researcher was able to connect the similar and unified phrases and expressions which later formed the categories.

For instance, if bureaucracy was mentioned as an important factor regarding the Chinese negotiations, this phrase or expression was put to the matrix. When bureaucracy was mentioned by most of the interviewees, the answers formed a pattern of unified expressions highlighting the importance of this one factor. All the important factors or expressions in the matrix were picked from the interview data. When the factors were similar and mentioned by most of the interviewees, they were put to the categories.

Table 6. The matrix of simplified interview data.

	Question 1	Question 2	Question 3	...	Question 12
Businessman 1					
Businessman 2					
Businessman 3					
...					
Businessman 8					

Firstly, the objective was to find what meaning the interviewees gave to term *Chinese negotiations*. Secondly, the objective was to find out what kind of qualities a successful Finnish negotiator would need to have according to the years of experience the interviewees had.

When the interview data was simplified through the matrix, it was considerably easier to the researcher to grasp what the interviewees highlighted as important regarding firstly the Chinese negotiations, and secondly the qualities of a competent Finnish negotiator. The entire matrix with the phrases and expressions picked from the interview data can be seen in Appendices 1 through 7.

4.4.2 Analysis result: categories

Through content analysis and using inductive and deductive category development, it was possible for the researcher to interpret the truly significant and meaningful factors regarding the research subject. The category formulation process can be seen in Figure 10 below. Forming categories is part of the content analysis process.

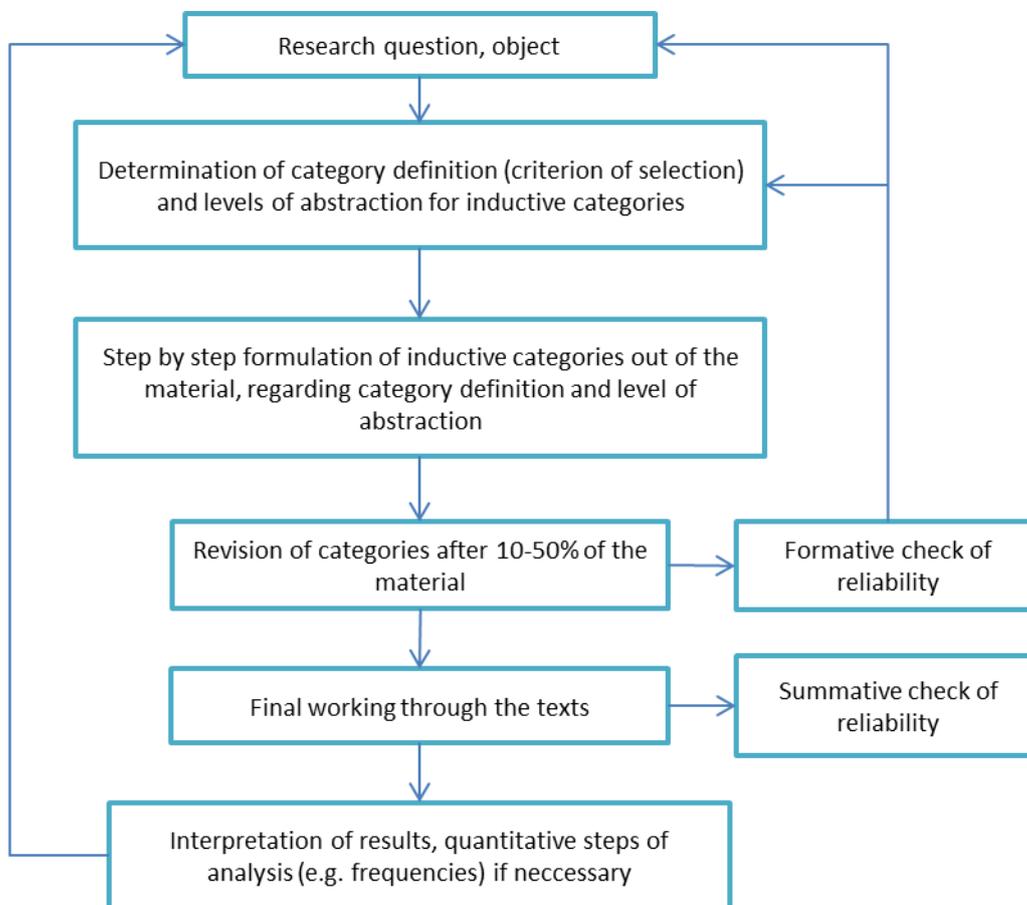


Figure 10. Step model of inductive category development (Mayring 2000).

In this study the researcher used both deductive and inductive category development, meaning that firstly answers to interview questions were taken from the text. Secondly, new information arose from the interview transcripts that the researcher did not anticipate

based on the interview questions and the research question. The open-ended interview questions used in this study guaranteed that the interviewees gave more information than the interview questions were set out to get.

The category development procedure is used to formulate a criterion of definition, derived from the theoretical background and the research question, which determines the aspects of the textual material taken into account (Kohlbacher 2006:19). In this research the interview data (e.g. interview transcripts) are screened in the light of the interview questions derived from the research question, and as the end result, patterns of similarity arose. From their different experiences with the Chinese all interviewees tend to highlight the same important aspects of culture and negotiations. To keep the categorization reliable, the researcher goes back to the interview transcripts while making categories and end assumptions; viewing the category development at the same time as making conclusions via content analysis, the researcher makes sure to stay true to what the interviewees have originally said.

Table 7. Example of forming a category.

Phrases, expressions	Subcategory	Category
<ul style="list-style-type: none"> • The Chinese play time to their advantage • Things take a long time • The Chinese prolong things 	Delaying on purpose	Chinese negotiation tactics
<ul style="list-style-type: none"> • Officially the Chinese try to give you as little information as possible • The Chinese always need more information from you than they give back • Europeans need to give information easily but getting it from Chinese can be difficult 	Withholding information	Chinese negotiation tactics

The grouping of similar phrases and expressions results into categories that eventually form the research results, here research results are what the interviewees have expressed Chinese negotiation and competent Finnish negotiator are. Table 7 presents an example of how the research result categories were formed. All expressions and phrases that defined for example *delaying in purpose* with different wordings, but with the same content were linked together. Delaying on purpose sub-category on the other hand was

linked under Chinese negotiation tactics. Chinese negotiation tactics then are linked to the foremost result, Chinese negotiations.

The phrases and expressions presented in the above table the researcher took from the matrix of simplified interview data.

4.5 Validity and Reliability

Reliability refers to whether the used data collection techniques and analytic procedures would produce consistent findings if they were repeated on another occasion or if they were replicated by a different researcher (Saunders et al. 2012:192). Research has to be reported in a fully transparent way so that others can replicate it if they wished to do so and can judge for themselves the reliability of the study. Threats to reliability are participant error, participant bias, researcher error, and researcher bias.

Participant error has been minimized in this study by allowing the participant to choose the time, place, and the environment in which the interview in the end took place. Since the interviewed managers chose the interview location to be their office or conference room in their workplace, the researcher has to assume these places are where the participants are most comfortable with for the interview. Also, the workplace usually offered refreshments and snacks, so the interviewees and researchers physical needs that could threaten the interview situation were satisfied (thirst, hunger).

Since the interview questions and the topic of the study refer to the managers' own reflections according to their personal experiences with Chinese businessmen, the managers had no motive to lie. The interviewees all seemed to enjoy sharing their experiences.

Researcher error was also minimized with sufficient preparation to the interview situation. On the other hand, researcher bias was minimized as well with the recording of the interviews, so that the recollection of what was said in the interview could be later

analyzed explicitly word to word. The researcher also took notes during the interview, so that any thoughts reflected during the interview situation can be memorized afterwards, that maybe would not arise from the interview recordings.

Validity is first “the extent to which data collection method accurately measure what they were intended to measure, and second, the extent to which research findings are really about what they profess to be about” (Saunders et al. 2012:194). For instance, the external validity is concerned with the question can a study’s research findings be generalized to other relevant settings or groups. (Saunders et al. 2012:684). Threats to internal validity on the other hand, are past or recent events (event which changes participants perception), testing (the impact of testing participants’ views or actions), instrumentation (the impact of change in a research instrument between different stages of a research project affecting the comparability of results), mortality (participants withdrawing from the study), maturation (impact from outside the participants that can change their attitudes or behaviors), and ambiguity of causal direction (lack of clarity about cause and affect). (Saunders 2012: 193).

The interviews were concerned with the participants’ past experiences with Chinese businessmen and their own personal opinions about Finnish-Chinese business negotiations, which they have formed over time. All the participants that were asked to join this research, agreed and none of them declined from the study.

5 EMPIRICAL FINDINGS

The main findings of the empirical research are presented in this chapter. Findings regarding Chinese culture from the viewpoint of Finnish negotiators are discussed first, after which interactions of Finnish and Chinese business people in negotiations are analyzed. Finally, as the most important result of this study, recommendations to Finnish businessmen how to prepare for Chinese negotiations are discussed. Also, the research shows the important personality traits and skills the Finnish negotiator should have in order to be competent for Chinese negotiations.

The empirical part of this research was set out to find out firstly whether there are matching Chinese cultural traits in real life negotiation situations as described in the previous theoretical analysis (see Chapter 2). Secondly, the empirical research was set out to find out how the Finnish and Chinese get along in negotiations culturally wise, if there are clashes because of differences in culture etc. Thirdly, the empirical part was set out to find out what kind of advice the Finnish business managers, with experience of Chinese negotiations, would give to other Finnish business managers going into China and Chinese negotiations. These three objectives of this empirical research are described next.

5.1 Chinese culture and negotiations

When facing new cultures and new situations it is especially important to have an open mind: not to judge what the others are doing, it might be part of their culture. Culturally sensitive and skilled managers are the ones that are best prepared to enter into Chinese negotiations.

The managers interviewed for this study described the same cultural traits in real life negotiations as have been described in Chinese cultural research. Especially relationships, *guanxi*, and face, *mianzi*, were brought up by all the interviewees. Also, trust building and

respecting the Chinese customs in dining and meeting situations were among the most discussed.

The Chinese cultural traits that the interviewed managers brought up were all so intertwined together that they could not be separated. One leads to other and without understanding this Chinese cultural trait there is no getting along with the Chinese and so on. Therefore the Chinese cultural concept leading to the Chinese negotiations using content analysis is large and contains multiple aspects starting from the Chinese society and history going all the way to the Chinese people. The content analysis result of Chinese negotiations can be seen in Figure 11.

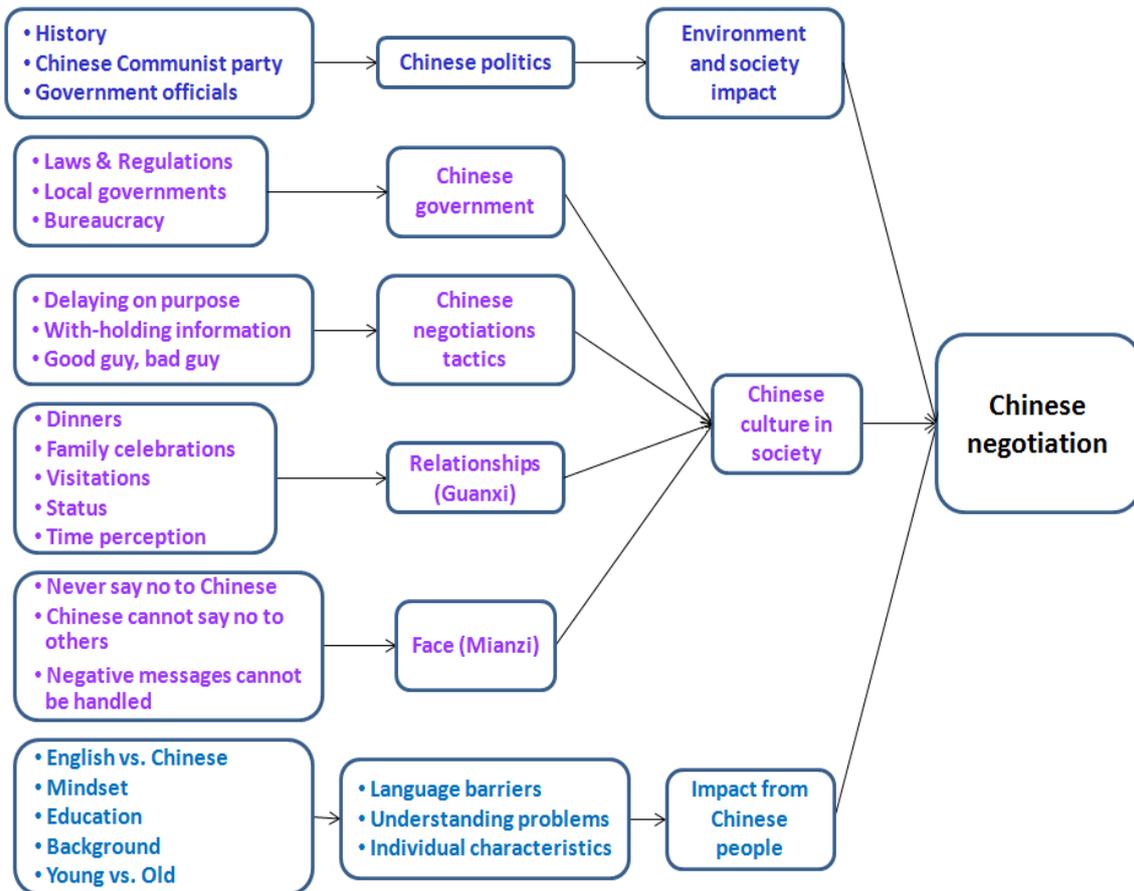


Figure 11. Content analysis: Chinese negotiations.

As stated in Section 4.4.2, the above figure describes the result of content analysis categorization what Chinese negotiations according to the interviewees mean. On the far left are the words or phrases that the interviewees mentioned multiple times. The researcher then formed a sub-category, for example Chinese politics, from wordings history, the Chinese Communist party and government officials. The researcher then determined that Chinese politics is an important aspect impacting the Chinese negotiations from outside the negotiation situation, therefore the category is called environment and society impact. All the listed categories are presented in the same figure, since as a result of the interviews Chinese negotiations seem to be a complex setting that is impacted by many factors.

The Chinese culture seems to be impacting negotiations in multiple levels as well as from multiple sources: from the history of China to the current political state of the country, to negotiation tactics and individual differences, they all seem to have an impact on negotiations simultaneously. Therefore, in the content analysis of the factors impacting negotiations, these all had to be presented at the same graph, since none of the factors influencing Chinese negotiations cannot be seen individually without the context of other factors.

5.1.1 Impact of Chinese environment and society

The Chinese history is thousands of years old and the Chinese take pride in their long history and achievements. Understanding the Chinese culture, politics, and the current economic situation may help the manager to further understand the Chinese mindset.

Over the business dinners and in other informal contexts, the Chinese apparently sometimes spoke of good relations between Finland and China as countries. As in Western thinking, businesses are conducted between firms that might have nothing to do with the country of origin or political atmosphere in the country, the Chinese still consider

their business deals in a wider context; how their success also benefits the image of China to the world.

“Cultural courses are good but you cannot believe that after the course you get it, the courses give you a hint what's going on and after you have to be active and interested about it.” – Manager 6 and Manager 8

The interviews of this study highlighted the important of knowledge of history and culture, laws of Confucius and preserving harmony. This knowledge translates into understanding of everyday activities in Chinese society: never write with a red pen or red text, red is the color of death, do not put the chopsticks in upward position in the middle of a rice bowl that means death as well. If you show that you are interested of Chinese counterpart's culture, they do appreciate it and that creates the relationship.

“Study the Chinese culture and the Chinese way of negotiation. Talk to your colleagues and find out about their experiences.” – Manager 3 and Manager 8

5.1.2 Chinese culture in society

Chinese government

Understanding the Chinese political climate is important. The Chinese think long term and also think about their business deals in the context of China as a nation and government. The Chinese can talk about the relations of nations, Finland and China, as well as the business deal at hand.

Over the past 30 years, the Chinese government has changed its service attitudes, institutional functions, and administrative structures, transforming itself into a modern government (Zhou & Peng 2013:261). Nevertheless, the interviewees explained the bureaucratic behavior or government entities being often problematic. Furthermore, the bureaucratic nature of high context culture is present in Chinese business. All the

decisions have to be accepted from the high up, no decisions or promises can be made with only the people at the negotiation meeting, but the decisions have to be approved by people not present in the negotiations. The interviewees claimed that often it was difficult to know who had the decision power at the Chinese side.

For instance, future orientation cultural dimension findings (as shown Section 2.3.1) support what some of the interviewees said of time orientation: one interviewee mentioned that the trust in governmental institutions and future stability is often so low, that ordering a passport is left to the last minute, since if the passport would be ordered months before hand, the government procedure could have changed in between.

“The Chinese are even more authority believers than we are here, much more, and they have to make sure that everyone in the decision making chain, all the superiors are on the same page.”
– Manager 1

Negotiation tactics

The Chinese clearly use negotiation tactics or EANTs as mentioned earlier in chapter 3. Especially delaying on purpose and withholding information were the tactics mentioned by nearly all the interviewees. The interviewees stated that the Finnish team always had to give out more information than they would receive from the Chinese. The Chinese needed more and more information to make the decisions and still came back to already settled parts of the deal.

“Have a firm hand with the Chinese.” – Manager 6

During the negotiations especially when the Chinese are using EANTs, it is important to have your own Chinese locals present and through them follow the negotiation and feel how it is moving forward.

“Always go through own local Chinese contacts”. – Manager 2

Straightforward approach does not work with the Chinese. Interviewees described being passive and listening more what the Chinese counterparts had to say in order to form a

stable negotiation situation. Furthermore, the Chinese seem to understand that Finns are foreigners and cannot understand everything about Chinese culture. The interviewees also pointed out that negotiation is embedded in the Chinese character, negotiation is a way of life. Therefore, there is no “rock bottom” in negotiations for the Chinese.

“In their mind it’s never over”. – Manager 5

Relationships (guanxi)

Personal relationships in China are extremely important and personal relationships are intertwined with business relationships, in the Chinese mind they are one in the same. Third parties and intermediaries are often used to connect Western businessmen with the Chinese.

“In China the negotiations are maybe 20% and what you do before, the preparations are 80%.” – Manager 7

The way to connect with the Chinese is in the beginning through an intermediary or a third party. After the initial meeting the Chinese call the managers “good friends” which sometimes confused the Finnish mind, interviewees stated, since the meaning of “good friend” in the Finnish mind takes longer than just initial meeting and few conversations. Dinner parties, during and after the negotiations, are very important at creating trust and *guanxi* with the Chinese. The Finns have to wait for the Chinese to guide them to their own place in dinners and meetings. There is a specific place for each one present according to rank and according to Chinese custom. If a Finn simply goes and sits somewhere it will be taken as an act of rudeness and disregard towards the Chinese hosts. Dinners and drinking are extremely important.

*“You should drink a lot during the dinners; it is a form of showing good friendship to the Chinese. If you decline wine or food, that is a big no no. If you give everything you have during a dinner that shows to Chinese you’ll do the same in business transactions.”
– Manager 7*

Especially in the beginning of the relationship and meetings or dinners, knowing small cultural ice breakers and perhaps few words in Chinese will get the Finnish manager far.

This way the Finnish manager can show interest towards Chinese culture showing that he or she knows cultural tricks. Thus the Chinese respect your knowledge and understanding of their culture. Preferable way to learn the Chinese culture is through your own colleagues and their experiences; they might have been in a meeting with this customer or this company and can tell insider view of the situation.

The interviewees pressed the importance of knowing the culture somehow beforehand, since it is not only the culture of the counterpart opposite the negotiation table, but also the culture of your local Chinese colleagues. The Finnish companies have branches and offices in China, and the Chinese working there are the ones helping the Finn to get through the negotiations and help with the culture. Mediators, brokers and third parties are often used to introduce people to each other: the people who already have *guanxi* can introduce new people to the *guanxi* circle. This way the Finnish manager also becomes involved with *guanxi* and showing respect in the course of the negotiations will preserve face (*mianzi*).

The local Chinese from the branch office of your company are the people involved with the customer while you are back in your home country. Therefore, it is vital for the Finnish managers to have a great relationship and trust with their own branch office's Chinese partners and colleagues. Local Chinese colleagues are the ones handling the ongoing negotiation, while the Finnish manager is back in home office, this should be respected and noticed.

In the negotiation situation as well as elsewhere, good relationships are the key to surviving and get things moved along. Personal relationships are also the key to recognizing the important managers on the opposite side, the ones that are eventually responsible of the decision-making. Without good relationships one cannot proceed in negotiations. Building of respect and mutual trust and reciprocity will advance the *guanxi* connection and relationship with the Chinese. Getting decisions in the meetings is also easier once the relationships are good.

Face (mianzi)

Most important thing to remember in negotiations with the Chinese is to never say absolute no straight to Chinese face; Finnish bluntness is not always appreciated abroad.

“Never be arrogant, be humble; if you are arrogant and try to push the European way to the Chinese you are out of the negotiations immediately.” – Manager 7

Furthermore, seeking a win-win situation was highlighted by most of the interviewees. This win-win need in negotiations also has linkages to saving face and not being able to say no. The word no seems not to exist in the Chinese vocabulary and they avoid it to the extent that they would rather use their Finnish counterparts as “escape goats” than say no. For instance, one interviewee expressed, that the Chinese asked him to do his work at their workplace not in a hotel when he was there, so that when needed the Chinese could ask the Finn to resolve the conflicts or deliver negative feedback. Saying “no” seems to be almost physically impossible to the Chinese. As Mujtaba (2013:194) referred, it is important to note that the Chinese do not like to say “no” and will often say “yes” to an offer in an attempt to save face and avoid embarrassment. The Chinese do not only avoid saying no to the Westerners but to other Chinese as well.

*“Never lose your temper; Chinese will remember it and you're out.”
– Manager 7*

The win-win situation is not only for the Chinese partners but also for the stakeholders: everyone needs to be taken into consideration. Even if the Chinese are not doing business with the other party right now, they might do business together in the future. That is the reason why seeking win-win situation has to be with all parties, also stakeholders. This finding has a positive correlation with the findings of *institutional collectivism practices* comparison in Section 2.3.1.

The interviewees propose to learn to communicate around the negative and word “no”, for example: *That is a good proposal and we can work on this, but what if..?* Giving an alternative to what is rejected and not rejecting a proposal entirely. Also when the interviewees tried to communicate no, it was important to try to help the Chinese to

understand the decision making process and especially the reasons behind the decision. Opening up the decisions and subjects at hand or even agenda to smaller pieces would apparently help the Chinese to understand what was going on.

5.1.3 Impact from the Chinese people

Individual people

Similar to all human activities, negotiations also differ according to individuals present: gender, background, education, age, et cetera. Some of these issues were covered in Section 3.1.2. The interviewees here were all approximately 30–55 years old, and they were all men, which excludes some of the differences in results due to the heterogeneity of the interviewees. Some interviewees said that nowadays there are more women than men, for example, in the Chinese government shipyard industry, so the fact remains there are women in Chinese businesses. Still there were very few negotiation situations where the interviewees had negotiated with women in China.

There also seemed to be communication issues during the negotiations. The expectations of negotiators from different cultures may be inconsistent to each other's preferences, which can make them misunderstand each other's reasoning (Jiang 2013:109). All the reasons behind decisions would have to be clearly told to the Chinese so that they could understand why something was discussed instead of the other.

The interviewees expressed that the decision-making was difficult to the Chinese, and in order to resolve issues Finnish counterparts should help the Chinese to decide by dividing the contract to smaller bits. The Chinese negotiation always should seek win-win situation, and whenever there would be misunderstandings or confusion, the Finnish counterpart should clearly state the reasons behind their decision-making and help the Chinese understand the Finnish decision-making process. After clearly discussing any issues the Chinese usually wanted to sit on the information and think on it, and whether

the relationship overall is a sensible relationship. The negotiation process in China takes a considerable amount of time.

“Chinese want to think carefully, they are sometimes doubtful even if the facts are known whether the Finn/Westerners is trustworthy partner.” – Manager 3

Language

In China there is always the issue of language, fewer Chinese than Westerners speak more languages than just their own. This might be changing, since nowadays young Chinese students are studying in foreign colleges and universities not just in the USA, but in many other Western nations as well (Mujtaba 2013:191). Language was also mentioned by the interviewees to be an issue. The Chinese still like to talk in Chinese even if they would be able to speak in English. One interviewee said that in his opinion 90% of the negotiation meetings are still done in Chinese. Other interviewee said that the Chinese would first discuss few sentences in English with the Finnish counterpart, which would follow ten minutes of Chinese talking Chinese among each other. The interviewees also said that “fancy” spoken English would get one nowhere with the Chinese, since their English is not as developed, basically using the same words they used and speaking in short sentences gave the best results in understanding.

On the issue of religion one interviewee mentioned that the Chinese are extremely religion neutral people, meaning that the Chinese do not make an issue out of other’s culture and their religious beliefs do not hinder their business deals. This might explain why the Chinese are able to successfully conduct business all over the world also in the Middle East, Africa, and South America. Overall China is considered to be an atheist country since the basic beliefs are based on Taoism, Buddhism, and Confucianism, which are not religions but philosophical belief systems.

5.2 Finnish and Chinese business people in negotiations

The interviewees in this study stated that the Chinese and Finnish get along great with each other in negotiation situations and outside the work place. This correlates positively with the comparison of Finnish and Chinese cultures made in Section 4.2, that the similarities in practices and values between the two cultures eases working together in practice.

“Yes, Finland and China work extremely well together and we have similar opinions. Especially technical background, technical expertise, neutrality, maybe the Chinese government not perhaps in the same detail, but the life story of Finnish and Chinese, the needs etc. are just the same.” – Manager 7

As mentioned in Chapter 4, according to comparison of the GLOBE dimension of Finnish and Chinese, there are similarities between the people. This can be accounted for positive relation between the theoretical findings and what the interviewees of this study expressed, as above quote shows.

According to the World Economic Forum’s Global competitiveness report 2013–2014, there are factors that weigh down the Chinese competitiveness, these factors are also related to the issues the interviewees in this study brought up as difficult when dealing with Chinese. There are weaknesses in Chinese institutions including corruption, security issues, and low levels of accountability and ethical standards among businesses. On the contrary Finland is rated third in the list of 148 countries across the scales: Finnish public institutions are well-functioning and highly transparent, the private institutions are seen to be among the best run and most ethical in the world (WEF, GCR 2013:39). These differences could explain the ambiguity of Chinese businessmen, their tenancy to hide information and not to own any failures or shortcomings in the business. Corruption as an issue was raised in couple of the interviews, but the interviewees stated that the Finnish companies zero tolerance against these issues was known to the Chinese, either clean business or no business at all. There had not been many instances where the Finnish businessmen had to state this policy of zero tolerance, therefore the researcher is lead to

believe that the Chinese know the Finnish companies and their policies when they enter into business with the Finnish.

Most well-educated Chinese professionals do not speak while in a business setting as they rather listen to and learn from those who are in a higher position (Mujtaba 2013:192). The interviewees of this study also portrayed this opinion, that listening was more important in Chinese negotiations than speaking. Since the Finns are quiet and observant themselves, this seems to be clear similarity between the two nationalities in negotiations.

“Be quiet and follow the situation, don't be outspoken all the time, be flexible, say everything in a polite way, and don't be hard in discussing, start with a polite way.” – Manager 3

The importance of pre-negotiations in Chinese negotiations was also embedded in interview questions. The correlation between theory and the interviewee response in this study was negative (as shown in Section 3.2). When asked about the process of negotiation, the interviewees all agreed that the negotiation with the Chinese is always difficult, and a specific part in negotiations (for example pre-negotiations) is not more difficult than the other. The literature and previous research suggests that especially in Asia, because of the importance of *guanxi* pre-negotiations would be more difficult than any other part in negotiation process. According to the eight interviewees in study this is not the case: pre-negotiation part of the negotiation process was not in any way more difficult than the other parts of the negotiation process.

Furthermore, as mentioned in Section 3.1.1, the Chinese rank among businessmen is highly important in negotiations. If head negotiators rank in both teams does not match, the Chinese will regard it as inconsiderate behavior. One interviewee mentioned, that for example as a very high ranking director, he cannot go and discuss small technical details with the Chinese high ranking director, because the Chinese director might not know the details and this might cause him to lose face. The deal-making knowledge is divided between sufficient experts in their fields, for example in technical knowledge, and the lead negotiator has the highest rank to represent the company but perhaps not all the knowledge to make the decisions at the negotiation table.

Figure 12 shows the content analysis findings in short and some of their implications to the Finnish-Chinese negotiations. As shown in Figure 11, multiple factors are all intertwined to Chinese negotiations and they all have to be taken into consideration. Most important factors are face (*mianzi*) and relationships (*guanxi*) that the Finnish negotiator should be prepared for. Table 8 (p. 86) on the other hand presents the necessary qualities a Finnish business professional should take into consideration before entering into Chinese negotiations.

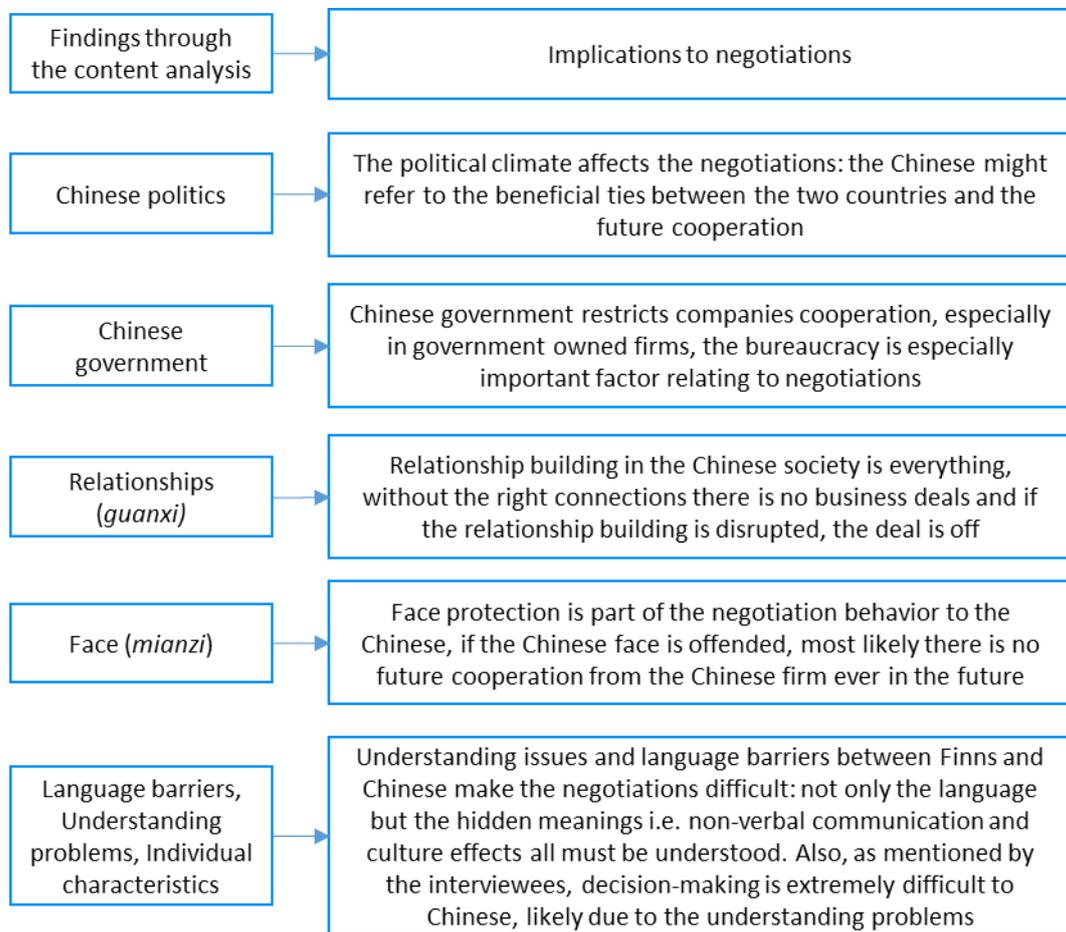


Figure 12. Content analysis findings and implications to negotiations.

5.3 Preparations for Chinese negotiations

The interviewees were asked to provide advice to other business managers, especially Finns, who would participate in Chinese negotiations. The advice from all the interviewees showed a pattern. The needed qualities and skills were then combined together according to content analysis and as a result we have a framework of a competent Finnish business negotiator in Chinese negotiations, see Table 8.

In order to be competent in Chinese negotiations, the business managers insisted on several qualities, including patience, flexibility, open mindedness, transparency, and passivity. To elaborate, for instance passivity in this context means being passive in the negotiations, listening more than speaking and following the situation more than participating in order to react correctly. Manager 5 said:

“This is why we have been given two ears and one mouth, so that we would listen more than we speak”. – Manager 5

Flexibility on the other hand is a must when dealing with Chinese, since situations change constantly and sometimes the negotiations can be unpredictable. An open mind is needed like in any other cultural setting where you might not know the opposite party well enough to understand them. Transparency with the Chinese makes the negotiations easier, and also creates trust when the Chinese feel that you are not misleading them or hiding information. The unusual fact that interviewees said is that the Finns or the Western party always needs to give up more information to the Chinese than the Chinese are giving in return. As a fact, transparency from the Finns is thus needed.

*“Chinese remember for a long time if in your partnership you've been able to get past a difficulty. This forms trust and appreciation.”
– Manager 2*

A skilled Finnish business negotiator also needs certain qualities in order to be competent in Chinese negotiations. The following qualities were most referred to by nearly all interviewees.

Table 8. Content analysis: a skilled Finnish business negotiator

A Skilled Finnish Business Negotiator	
<ul style="list-style-type: none"> • Patience • Flexibility • Open mind 	<ul style="list-style-type: none"> • Transparency • Passivity
<ul style="list-style-type: none"> • Common sense • Politeness • Trustworthiness 	<ul style="list-style-type: none"> • Humility • Caution • Honesty
<ul style="list-style-type: none"> • Cultural understanding • Chinese language knowledge 	<ul style="list-style-type: none"> • Relationship skills • Networking skills

The qualities the skilled Finnish business negotiator embodies are for instance common sense, politeness, trustworthiness, cautiousness and honesty. These are all qualities that are often used to describe Finnish people in general. Finnish people are naturally cautious in trusting strangers, naturally often even too honest (in a cultural setting often being too blunt and straightforward), and having more common sense compared to representatives of other cultures. Common sense in this context can also mean logical thinking and thinking ahead in social situations and life in general. Honesty relates to earlier mentioned transparency, which both are needed in order to succeed with the Chinese. Nonetheless the managers also mentioned that sometimes also concealment is needed in Chinese negotiations.

In addition, there are some learned skills that the Finnish business negotiator needs: Cultural understanding, Chinese language, relationship skills, and networking skills. These are all so called learned skills, since these all can be practiced and learned if one does not master these already. Cultural understanding is extremely important to all managers who work in multicultural settings and travel globally in varied business transactions. Without wanting to understand the opposite party, their culture, history, manners, and habits, the manager most likely will not get further than the door in business negotiations. The interviewees stressed the importance of preparing oneself to the Chinese negotiations with reading literature of Chinese culture and China, and talking with colleagues with similar experience in China.

“You need a lot of patience, understanding, knowledge of history and culture, but also you need to understand that it is not only the

culture of the customers, but also the culture of your Chinese. You need to understand the entire culture so that you understand them during the negotiations and conversations.” – Manager 5

Chinese language is one of the most difficult to learn, but the managers had noticed that knowing even some words of the Chinese will help in the beginning of the relationship and starting the meetings with new acquaintances. As manager 2 said:

“The Chinese are quite playful: if you know even couple of words in Chinese, they’ll laugh at you and like you instantly”. – Manager 2

Relationship skills and networking skills are very important in China, since the Chinese *guanxi* is the most important cultural aspect in the negotiations. Manager 7 summarized the importance of relationships:

“When understanding is there, and the relationships are present, it is real easy to get to the person who decides on things and the entire business deal. But if relationships are not present, if understanding is not there, then it is really, really hard step forward. ”
–Manager 7

A prepared and skilled Finnish business negotiator would have to master all three areas stated here: behavior, personality, and learned skills. The concept of skilled Finnish business negotiator thus seems to be a balancing act between behavior, personality, and learned skills.

6 DISCUSSION AND CONCLUSIONS

This chapter discusses the connection between previous cultural studies and negotiation literature, and how this thesis brings forth new issues and supports previous research. A comparison of Finnish and Chinese cultures done through GLOBE study dimensions is also briefly discussed. Limitations and future research suggestions are presented at the end of this chapter.

6.1 Cultural theory and empirical findings

This study is aligned with previous cultural theories and especially previous studies made of Chinese negotiations. Many of the issues the interviewees of this study brought up have been mentioned by other researchers. It is not known, if the relationship between Finnish and Chinese negotiators in a negotiation situation has been studied before, therefore this study also introduces new findings to negotiation research and international business community.

6.1.1 GLOBE study comparison and negotiation literature

This thesis was constructed to answer the research question *how differences in Finnish and Chinese cultures affect Finnish-Chinese business negotiations*. At the same time the empirical study uncovered what qualities are needed of a competent Finnish negotiator in Chinese negotiations.

The GLOBE research was used for this study to show that there are similarities between Finnish and Chinese cultures that eventually could explain how Finnish and Chinese get along in business negotiation setting. Theoretical research was done through the GLOBE research selected five cultural dimensions (performance orientation, future orientation,

individualism vs. collectivism, power distance, and uncertainty avoidance) to discover whether there are any similarities between Finnish and Chinese and what are the differences. Through comparison of these cultural dimensions the result was that there are actually many social practices that are similar or the same in both Finnish and Chinese cultures. Similarities existed in GLOBE dimensions' *practices* in societal institutional collectivism, power distance, and uncertainty avoidance. Slight differences in practices existed in performance orientation and future orientation, and extreme differences in practices existed in in-group collectivism. This makes it evident that there are significant similarities between Finnish and Chinese cultures in societal practices (as described in Section 2.4.1).

More differences were found in GLOBE dimensions' *values* between Finnish and Chinese cultures. Only one dimension in values, future orientation, showed similarities. Slight differences were found in three cultural dimensions: performance orientation, institutional collectivism, and in-group collectivism. There were very high differences in power distance and uncertainty avoidance values between Finnish and Chinese cultures. This indicates that the Finnish society and the Finns themselves are more tolerant toward uncertainty than the Chinese are. The Chinese also value high power distance opposed to the Finnish that do not value power distance.

Consequently, it could be assumed, that where there are slight differences between Finnish and Chinese in cultural dimensions, compromises could possibly be made in practice between these two cultures (especially in negotiations). Finnish and Chinese could possibly get well along in practice since there are more practical similarities in cultural dimensions than differences.

Although cultural theories in general suggest that individuals from different cultural backgrounds such as individualistic cultures and collectivistic cultures would have major cultural differences influencing the communication between the two, this study interestingly provides information that Finnish and Chinese do communicate well and get along well with each other. The obvious assumption would be that Finnish and Chinese cultures are significantly different; the people from these cultures would have communications issues, especially in understanding each other. For instance Kumar and

Worm (2003) indicate in their research that there are considerable differences between northern Europeans and Chinese. Nonetheless the empirical evidence from this thesis provides information, that even if there would be cultural differences, Finnish and Chinese perform well together in a negotiation situation and mostly communication is understood by both. Furthermore, the interviewees in this study stated that differences in cultures did not make communication or business negotiations difficult, but that Finnish and Chinese have a lot in common.

The empirical findings of this study are aligned with the previous cultural studies of Chinese negotiations: it is vital for the Western negotiator to understand the cultural traits and customs when entering into negotiations with the Chinese, especially understanding *guanxi* and *mianzi*, which are unique cultural traits in Chinese culture compared to others. The novelty value of this thesis is that now Finnish culture has been compared with the Chinese culture, and moreover Finnish executives have agreed with their mostly American colleagues of Chinese negotiations.

The comparison of Finnish and Chinese cultures revealed that there are more similarities in GLOBE dimensions *societal practices* between these two cultures than there are in GLOBE dimensions *societal values*. Similarities in practices between Finnish and Chinese culture could help both negotiation parties to find common ground to build on the personal relationship. The Finnish in real life pre-negotiations might be more tolerant toward differences in cultures, than the Chinese, and the younger generations from both countries and cultures most likely would not have so much uneasiness with each other since being exposed to multi-cultural settings from a very young age on. The probable obstacles of Chinese culture for the Finnish negotiators would be primarily, understanding the status of each Chinese negotiation team member and to pay respect and give face accordingly, secondly creating trust through forming personal relationships with the Chinese and thirdly, not offending the Chinese in their banquets with too blunt conversational style. Gao et al. (2010) found in their research that Westerners often found Chinese culture-based relationship building difficult to understand, most likely Finns would as well.

Kumar and Worm (2003) argued that there is a wide cultural gap between Northern Europeans and the Chinese, still the interviewees in this study state that the understanding, humility, and willingness to understand the other party from their side makes the cultural gap between Finnish and Chinese somewhat smaller.

The interviewees could not identify any specific part of negotiation that would have been more difficult than the other. On the contrary, the negotiation literature assumes that the pre-negotiation situation is the most difficult part of negotiation especially with the Chinese. This difference between the empirical results and literature could arise from the fact that according to the interviewees, the negotiation with the Chinese is a continuous process, the negotiation does not end with the signing of a contract or when the Western party thinks they have resolved an issue and moved on.

Relating to negotiation tactics, the empirical results of this thesis support previous negotiation research especially concerning ethically ambiguous negotiation tactics (EANTs) (as shown in Section 3.1.2). Delaying on purpose and withholding information were seen as the most common negotiation tactics the Chinese used with the Finnish negotiators.

As a conclusion, the interviewees strongly suggested that out of any other nationality, the Chinese liked Finnish the best because of their humility, passivity and not making a fuss, a calm way of discussing, planning a head and taking Chinese cultural traditions, for example dining situations, into consideration. Furthermore, as a result the practical experience of the interviewees provides evidence how the theory based on cultural comparison of Finnish and Chinese cultures matches the reality.

6.1.2 Empirical findings in light of previous research

This thesis provides insight to cultural similarities and differences between Finnish and Chinese business managers and information to Finnish managers how to prepare and succeed in Chinese business negotiations. According to the interviewees and the

empirical research of this study, Finnish and Chinese get along extremely well in international business negotiations.

As stated in introduction of this thesis (see p. 14) most of existing research of Chinese negotiations has been done from an American perspective, and all other than Finnish perspective. Therefore, this thesis brings about valuable new information on the subject that is Finnish-Chinese negotiations. Clearly, due to the limited access of business executives, the empirical results and expertise of the interviewees in this study perhaps cannot be generalized, thus more research is needed. As a conclusion this study provides new insight to an unknown international business research subject area.

It was discovered that there are two distinct cultural features that very much affect Chinese business relationships. These two cultural features are *guanxi*, which is relationship building and connections, and *mianzi*, the Chinese concept of face, meaning status and a person's positive image of him- or herself in a relational context. These two cultural features exist in Western thought, and also in Finnish culture, but have a deeper meaning in Chinese culture, thus they were taken into closer examination in this thesis. Since Chinese culture highlights building personal relationships also in the business context, pre-negotiations, where relationships are built between two negotiating parties, have great importance especially when two different cultures collide. The interviewees also brought up the meaning of relationships in Chinese business and negotiation, and the importance of face: the face concept was sometimes very difficult for the Finnish to understand, but fairly rarely had any conflicts risen by Finnish for example insulting the Chinese face. Basic consideration and cultural understanding is a good way to start communicating with the Chinese.

Guanxi and *mianzi* as Chinese cultural concepts have both been studied before, and as a result of this study, once more it is stated how necessary it is for a foreign business professional and negotiator to understand these Chinese cultural traits. For instance, the concept of saving face has a significant influence on how the Chinese negotiate among themselves as well as people from other cultures (Mujtaba 2013:194). Face and relationships have been mentioned in the literature to be the most important factors unique to negotiating with Chinese, which was also the result of empirical research in this study.

The Finnish and Chinese people share a tenacious mindset and strong will, perhaps due to the similarities of the two countries histories; both countries have been overpowered by another and both countries have had to fight for their survival and independence. The respect of their own countries histories perhaps also gives perspective, respect and humility towards other people's backgrounds. Finnish people value others' opinions and are humble, which most likely is something that betters the communication between Finns and Chinese. As one of the interviewees in this study stated "there is nothing that annoys the Chinese more than making a fuss about things, being loud in expression and arrogance in general behavior". Finnish people are very flexible in new situations and this might also be an advantage in Chinese negotiations or a reason why Finnish people do well with the Chinese.

Many of the qualities a skilled Finnish business person should embody are referred in previous cultural studies, especially cultural understanding is especially vital not only for Finnish and Chinese negotiators, but all business professionals alike whether their daily work involves customer interaction, sales, sourcing or other common business transactions. When pointing out the good qualities of a competent negotiator according to the interviewees in this study, mostly the qualities seem obvious. It is still obvious, that under the stress and hectic daily business life where targets have to be acquired and demands met, being patient, humble, understanding and polite might not come so easily after all. Therefore, it is vital for the working life business professionals to remind themselves of their reality and their surrounding cultural settings, not to get lost in the demands of corporate heads and forget about the cultural sensitivity issues that sometimes could cost a company clientele and cash flow.

6.2 Practical guidelines of Chinese negotiations for Finnish managers

Finnish managers should prepare themselves for negotiations carefully with not only knowing Chinese culture and the opposing Chinese negotiation party, but also creating *guanxi* connections before the meetings take place. These connections are helpful and

sometimes even necessary when doing business with the Chinese. These two cultures also differ in their orientation towards building relationships for successful negotiations, which indicates that a pre-negotiation situation might be reviewed very differently from the Finnish side compared to the Chinese negotiation side. Negotiation success with the Chinese depends in large part on the quality and the duration of *guanxi* relationships (Chen 2001:141) and this concept does not exist in Finnish business relationships.

Chinese businessmen require and value making close personal relationships in order to make any business transactions or contracts. It would be wise for Westerners, such as the Finnish, to prepare carefully for the cultural differences and know the cultural aspects and importance of *guanxi* and *mianzi* before entering into negotiations and relationship forming with the Chinese. A considerable amount of cultural research suggests that the Western parties in negotiation are unprepared and know less about the Chinese than the Chinese know about them. This might be due to arrogance or organizational goals, but the evidence from this thesis encourages Finnish business professionals to prepare themselves before entering into Chinese negotiations and gain cultural understanding. The main difference in Chinese culture relating to negotiations is the collective group performance overthrowing individual actions and goals. As the interviewees of this study also stated, in the negotiation situation hierarchy, status, and the age of the Chinese group members has to be taken into consideration and “there is always a specific seat prepared for you”. Caution and humility are therefore advised.

With a clear understanding of the Chinese and their businesses, Westerners can avoid making mistakes and prevent the tension between East and West (Chen 2001:13). There are differences but also similarities between Finnish and Chinese cultures. The differences could result in problems or misunderstandings in forming a relationship and having negotiations with the Chinese, or the differences might not have any effect at all during the negotiations between Finnish and Chinese business people.

Although cultural theories in general suggest that representatives of individualistic and collectivistic cultures would have many differences and therefore difficulties in conversation and communication, this study has shown that the Finnish and the Chinese actually have common interests and behavioral patterns, for example, wanting to stay

back in the conversation and think thoroughly before making any statements, being patient and appreciating the opposite party's cultural background and other countries' history. In order to forge successful business relationships with the Chinese, one needs to study and understand the culture, the negotiating styles, and the communication practices of their counterparts (Mujtaba 2013:192).

For Finnish business managers or negotiators entering into negotiations with the Chinese there are three factors to consider: firstly, gather as much information of the opposite Chinese negotiation party as possible, secondly, find existing mutual connections to create trust with and to act as a basis for creating personal relationships, and thirdly, keep the same negotiation team that has created *guanxi* with the Chinese throughout the negotiation process and if possible through the implementation of the negotiation deal as well. It is vital for interacting parties to research the background of others' culture and business practices. Knowing the other party's cultural background and the way of thinking makes it easier to succeed in international business negotiations. Finally, the most important managerial implications from the interviewees of this study for the Finnish managers entering into Chinese negotiations:

1. Reserve a lot of time when dealing with the Chinese, weeks and months before trust and confidence is built.
2. Have your own Chinese locals present and through them follow the negotiation and feel how it is moving forward.
3. Seek a win-win situation that benefits both.
4. Study the Chinese culture and the Chinese way of negotiation, learn from cultural courses, discuss with your colleagues and learn from their experiences.
5. Personal relationships are very important to the Chinese.
6. Never be arrogant, never lose your temper, and always be polite.
7. Dinners and banquets are important in Chinese culture, let the Chinese lead you to your place.
8. In negotiations listen more than you speak.

9. Have an open mind.

10. Learn ice-breakers: Chinese phrases and small talk.

As the current economic climate for Finnish businesses and business professionals continues being turbulent, perfecting business skills and learning more cultural understanding will not go to waste. The results of this thesis suggest that Finnish business professionals understand Chinese negotiations, have a way of humility and patience that especially appeals to Chinese negotiators compared to representatives from other cultures.

6.3 Limitations of this study

This thesis is a comparative exploratory study of Finnish and Chinese cultures. The context for analysis is negotiations where cultural differences raise complicated situations and misunderstandings. In this thesis multiple choices had to be made that limited the scope of this study.

Firstly, China in this thesis refers only to mainland China e.g. People's Republic of China, excluding Taiwan, Hong Kong, Macao, overseas Chinese and Chinese living in other South-East Asian countries. There are 55 ethnic minorities in China of which each has their own culture and traditions consisting of 10% of the Chinese population of 1.3 billion people (Gorrill 2009:1). Thus, the Chinese culture variation had to be simplified in this thesis. Chinese culture in this thesis is generalized and ignores ethnic and regional differences that exist in China and its culture.

This thesis used the GLOBE research as a base for comparison of Finnish and Chinese cultures. Other cross-cultural researches like Trompenaars (1993/1997) and Hofstede (1990) were left out. The GLOBE study was used to show existing similarities between Finnish and Chinese cultures. From the GLOBE research only five dimensions were taken into account in this thesis: performance orientation, future orientation, individualism vs. collectivism (institutional and in-group collectivism), power distance, and uncertainty

avoidance. There were three other cultural dimensions used in GLOBE research that was left out from this thesis: *assertiveness* (whether people are or should be encouraged to be assertive, aggressive, tough or non-assertive, nonaggressive and tender in social relationships), *gender egalitarianism* (differences in gender roles in a society), and *humane orientation* (the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring and kind to others). (House et al. 2004). The three cultural dimensions left out of this study were not considered as important to this cultural comparison as the other five cultural dimensions that were included in this thesis. This thesis does not either take into consideration organizational or leadership aspects of culture, both were used in the GLOBE research.

The reliability and validity of this research have been both fully distinguished. Interviewees have consciously given their permission they have voluntarily participated in this study. All interviewees had a possibility to stop the interview whenever they would have wanted during the interview. All interviewees that were invited to be part of this study also accepted the invitation, therefore they voluntarily agreed to be interviewed, and thus their statements are voluntary and therefore reliable.

To ensure the reliability of this study, all interviewees participating in this study, have been doing international business negotiations with the Chinese for a long period of time during their careers; their job descriptions entail international experience, especially with the Chinese. The interviewees have vast experience from their respective international business field; therefore the answers they have provided during the interviews can be seen as reliable.

The interviewees all came from large international corporations that are known as reliable negotiation partners throughout international business field. No confidential information of the companies in question were discussed during the interviews, and no confidential information was released from the interviewees to the researcher during the interviews.

The material gathered during the interviews was stored properly safe from people outside the study during the period that research and thesis was made. The interview material was

destroyed accordingly after the thesis was finalized, therefore ensuring that no confidential interview material could have been released to people outside of this research.

During the analyzing of the interview data only data provided from the interviewees was used to provide empirical findings of this thesis.

Compared to other cultural research, all the empirical findings from the interviews is found to be aligned with previous research, thus the research can be seen as reliable and valid although there has been close to none Finnish-Chinese negotiation research. More research is still needed in this area.

6.4 Future research

Although the interviewed Finnish business executives in this study came to same conclusions with previous international business negotiation research findings about negotiating with the Chinese, there is new significant value this thesis brings about to the scientific community and cultural research from the perspective of a Finnish negotiator opposite the Chinese.

Theory is in most cases different from reality, and thus this thesis should also be proven to be right in real life negotiation experience from both Finnish and *Chinese business people* with empirical research and with a wider variety of business professionals. This thesis had only Finnish men as interviewees from industrial organizations, therefore it would be interesting to research the Chinese opposite the Finnish and what is their take on this subject. Empirical study would be required to examine whether the similarities of Finnish and Chinese societal practices overcome the differences in values in the context of the negotiation situation.

This study completed theoretical research of the differences and similarities between Finnish and Chinese cultures through the use of the GLOBE research cultural dimensions.

Future research could study whether there are different results with differences and similarities between Finnish and Chinese cultures, if some other cultural study would be used as a base for comparison, such as Hofstede's cultural dimensions. Empirical study made from this theoretical study could be done through in-depth interviews to grasp all the possible cultural gap effects between Finnish and Chinese would have in international business negotiations. A better understanding of Finnish and Chinese international business negotiations will result from further investigation of real life business negotiations between these two cultures. Would there be more cooperation and mutual understanding because they have so much in common in societal practices or would there be significant differences and collapses because of the differing values between Finnish and Chinese business people? This could be answered through empirical research based on this theoretical thesis.

The future research should also take into account other relevant business fields; the interviewees in this study all came from an industrial business environment, an unanswered question is whether the Finnish-Chinese negotiation and communication would be different considering for example consumer goods?

Future research could also take into consideration cultural dimensions that were left out from this thesis (assertiveness, gender egalitarianism, humane orientation) or research Finnish vs. Chinese cultures through leadership aspect or organizational culture aspect. The concept of Finnish-Chinese negotiations also could be studied through Hofstede's of Trompenaars' cultural dimensions and their research. Practices and values in Finnish and Chinese societies also could be studied separately in more detail. The left out aspects could provide new information and would be valuable: as one of the interviewees stated, there are more and more women in Chinese businesses. Interesting topic would be to take into account gender egalitarianism, the Finnish people being very egalitarian and Chinese having culture of undermining women.

As a conclusion, this thesis has raised questions and given insight for future Finnish business professionals to investigate Finnish-Chinese negotiations even further.

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APPENDIX 1. Interview questions in English

1. What kind of international experience do you have?
2. How long have you been doing business with the Chinese?
3. In your own words, can you describe your experiences when negotiating with the Chinese?
4. In your experience, is negotiating with Chinese different from negotiating with members from other cultures (than Chinese)?
5. In your experience, was there something easy/difficult when negotiating with the Chinese?
6. In your experience, did possible cultural differences/factors have an effect on the business negotiations? (How did they intervene? What kind of effect?)
7. Where some parts of the negotiation process easier than others when negotiating with Chinese? (Beginning, discussing the deal, making the deal/ending the negotiations etc.)
8. Did you notice significant meaning in relationship building and personal relationships when dealing with the Chinese? (How was it shown? What kind of situations?)
9. Did you recognize “face” protection when dealing with Chinese?
10. How did you prepare for negotiations with Chinese? (i.e. training, reading, discussing with colleagues etc.)
11. What kind of advice would you give to business people entering into negotiations with the Chinese?

APPENDIX 2. Interview questionnaire in Finnish

1. Minkälaista kansainvälistä kokemusta sinulla on työelämässä?
2. Kuinka kauan olet harjoittanut liiketoimintaa kiinalaisten kanssa?
3. Omin sanoin, voitko kuvailla kokemuksiasi kiinalaisten kanssa neuvottelemisesta?
4. Kokemuksesi mukaan, onko kiinalaisten kanssa neuvottelu erilaista verrattuna muihin joiden kanssa olet neuvotellut?
5. Kokemuksesi mukaan, oliko joku erityisen helppoa/vaikeaa kiinalaisten kanssa neuvotellessa?
6. Kokemuksesi mukaan, vaikuttivatko mahdolliset kulttuurierot/kulttuuritekijät neuvotteluihin? (Kuinka kulttuuritekijät vaikuttivat? Millaisia vaikutuksia kulttuurieroilla oli?)
7. Olivatko jotkin neuvottelujen vaiheet muita helpompia? (Alku, sopimuksen tekeminen, neuvottelujen päättäminen jne.)
8. Oliko ihmissuhteiden luomisella erityinen merkitys kiinalaisten kanssa neuvotellessa? (Miten tämä kävi ilmi? Minkälaisissa tilanteissa?)
9. Huomasitko ”kasvojen” suojelua kiinalaisten kanssa toimiessasi?
10. Kuinka valmistauduit kiinalaisten kanssa neuvottelemiseen? (koulutus, valmennus, kollegojen kokemukset, materiaalin lukeminen jne.)
11. Minkälaisia neuvoja antaisit muille liike-elämässä toimiville, joka lähtevät neuvottelemaan kiinalaisten kanssa?

APPENDIX 3. Content analysis: Managers 1–4, Questions 3–6

	Q3	Q4	Q5	Q6
Manager 1	cow's nerves, patience, tenacity, go forward in the dark, things thru multiple times, public image important, authority, respect, bureaucracy	time perception, reserve a lot of time with Chinese, 10 min English ->Chinese among themselves	easy to deal with ppl, politeness, attention to detail in Finnish meetings, Chinese ppl are different	Not always understanding each other, Finns use straight forward raw brutality, FACE, Finns do not necessarily notice when they've over stepped, have to be careful not to overrun the Chinese, soft approach, language, individual differences among Chinese, young ppl easier
Manager 2	neg. takes a long time, Chinese are tough negotiators, thinking about future, decision-making is hard, difficult to know who is the decision maker, sometimes dirty tactics, once you are well prepared you won't fall into Chinese tactics	Chinese neg. style is mixed up, you won't know what's going on, sometimes fast/sometimes extremely slow, be quiet and ponder is good tactic, first English -> Chinese, Chinese are playful; speaking few words in Chinese will make them like you at once	Getting decisions is hard, time used to their advantage/tactic, Finns are quiet and modest not making a big scene->Chinese like that and are alike, eating and drinking, sometimes it's important to have westerner sign sth to show to management as proof<-FACE protection	Bureaucracy, time perception, withholding payment as long as possible, difficult to pay services since they cannot be quantified, you have to pressure Chinese a little, not giving too much room to move and make the rules known
Manager 3	depends on the situation, easier than Japanese, most Chinese speak only Chinese, local colleagues is a must to translate, Wärtsilä position in market is dictating the neg., Chinese use mediators	trust building, Chinese easier than Japanese, Company reputation and market position also matters in neg. with Chinese custom, once relationship is there the cultural things can be overcome	Easy because he had dictating position in neg. ->customer really wanted, win-win situation should be sought out, explain reasons behind decisions,	Bureaucracy, time perception, authority, sometimes Chinese mediators will do illegalities in neg.->makes clear that is not acceptable, westerners have to be transparent, decision-making is difficult, westerner has to be flexible
Manager 4	there are always more Chinese present than westerners, it's never known who is the decision maker, local Chinese are important	individual differences	Chinese knew a lot from Finns	Bureaucracy, depending whether the customer Chinese firm is private the approach to neg .is different, Chinese speak in circles

APPENDIX 4. Content analysis: Managers 5–8, Questions 3–6

	Q3	Q4	Q5	Q6
Manager 5	Local colleagues have deep prep. before the Europeans come to picture, neg. are done in local level, language is an issue, Chinese national politics are important, the Chinese vet the partner and their country before neg., in Chinese neg. there is no absolute yes or no, Chinese use brokers who have the relationships and contracts	neg. with Chinese is different, easier/more flexible than with i.e. Koreans and Japanese the flexible grey area is much larger	Europeans need to give information easily but getting it from Chinese can be difficult, time perception; things take a long time, understanding Fin company process is very difficult, the Chinese are forgiving ppl	government bureaucracy is heavy especially in government owned companies, group decision-making, win-win, status, keeping up appearances/face, Confucius, Buddhism
Manager 6	you have to give more than you get, translator is needed, meeting agenda is not always followed, in projects long customer chain makes situations very difficult, the status of opposite project manager is not known, if you need sth from the Chinese you won't get it, delaying on purpose	Chinese are the most challenging neg. partners, the Chinese are religion neutral→reason they can operate around the world i.e. In Africa, South-America because they do not mix these things	Chinese have been able to use English but prefer to talk in Chinese all the time during neg., the customer chain is difficult, Chinese prolong things	delaying on purpose, no negotiator leader in Chinese group, takes a long time, bureaucracy, time perception, decision-making is difficult, both cultural differences and technical details of the deal influence neg., group decision-making
Manager 7	a lot of experience of neg. with Chinese/Chinese government ship yards etc., Finns and Chinese work well together/fit, have to give a lot information to the Chinese, Chinese language is used more than English	Middle Eastern ppl are more difficult to deal with than the Chinese	Neg. meeting is 20% and preparations beforehand 80%, local Chinese try to find the solutions, getting the preparations done properly so that the neg. will flow is most difficult	time perception, everything takes a long time, Chinese can use tactics like good guy bad guy, officially the Chinese try to give you as little information as possible
Manager 8	local contacts and agents are important, written + spoken agreements are both equally important to be kept, win-win, harmony, flexibility, Chinese are cautious and calm, today Chinese speak better English but understanding is still difficult, the Chinese like Finns	Koreans are more difficult than Chinese, more tougher negotiators and the Chinese do not use tactics as much in negotiation	negotiations are easy when you know them beforehand and it is repeat order for example	time perception, long term, playing time to their advantage, bureaucracy, knowing who is the decision maker, give and take: you have to give more than they do

APPENDIX 5. Content analysis: Managers 1–4, Questions 7–10

	Q7	Q8	Q9	Q10
Manager 1		Getting to know Chinese outside neg. On a personal level, repetitive interaction, local partners,	Finns do not necessarily understand when the Chinese have said NO, circumlocution, Finns are barbarians, Chinese are restrained, Chinese will remember a long time if face has been offended	Asking from colleagues, observation, own experiences
Manager 2	starting is not that easy, staying in agenda is difficult, it's not clear who are the ppl present in neg. room, middle can go easier, ending can be difficult when you do not have Chinese person to sign the contract, decision making is difficult, divide the contract to smaller parts→help decision-making	knowing them beforehand eases the start of the neg, use local contacts, visit the Chinese regularly to keep up the relationship, invite them to Finland/sauna, Finns being organized is pleasing to Chinese	face protection is extremely important, being flexible, do not offend, use locals, Chinese remember for a long time if face has been offended or if you've pressured them too hard	prepare what is the starting point and rock bottom, Chinese course, colleagues, learning from own experience
Manager 3	The Chinese colleagues prepare the neg./relationship, find out who are decision makers and roles in opposing team, the big boss is important in Chinese, Chinese make long time for neg., decision-making is difficult	If known beforehand that will help a lot, relationship building very important, local colleagues mainly maintain relationships, open communication, clear understanding, local colleagues dine and meet the customer regularly, trust building via relationship, entertainment in Finland/sauna/factory tour	No cannot be said straight, politeness is important, explain yourself carefully when declining, extreme politeness, let the Chinese lead	reading material, discussing with colleagues
Manager 4	depends entirely on the situation and how big the deal at hand is	if ppl are known before negotiation →easier	never say no	couple of first times mentor was with

APPENDIX 6. Content analysis: Managers 5–8, Questions 7–10

	Q7	Q8	Q9	Q10
Manager 5	since the base work is so well done by the Chinese locals, the neg. meetings are rather easy			
Manager 6	ending the negotiations is the hardest because the decision-making is so difficult for the Chinese	relationship and knowing the Chinese beforehand helps, the Chinese speak about long term relationship and building on that	not only that you cannot say no to the Chinese but they cannot say no to others, the Chinese avoid conflict situations to last possible, they first try to see who the person is and then test that, dinners are important, FACE is the most difficult	the entire project team went to Asia culture course after things weren't going along with the Chinese, reading books about other Finns in China, colleagues, own experiences
Manager 7	preparations and starting	using local ppl for relationship building, going round and round, the Chinese think long term and think carefully whether building relationship with this person is valuable, takes years to build trust, meetings and dinners are important	saying NO is impossible, it is easier that the Finn says No "white face" to other Chinese so they do not have to, saying no has to be subtle,	preparations beforehand are extremely important, mentor, courses, colleagues and their experiences
Manager 8		building relationships is A and O, long term, dinners and drinking, local contacts are very important, good guy bad guy, the Finn is the negative, Chinese do not always say what they mean	never put Chinese into a corner, never say no	cultural courses are good, reading books, asking from colleagues about their experiences

APPENDIX 7. Content analysis: Managers 1–8, Question 11

Q11	
Manager 1	Reserve a lot of time when dealing with the Chinese, weeks and months before trust and confidence have been built, Chinese want to think carefully, they are sometimes doubtful even if the facts are known whether the Finn/western is trustworthy partner, Chinese want to sit on it/think on it a sensible relationship, use colleagues and local partner/learning by oneself these things would be difficult/ get basic understanding
Manager 2	Be quiet and follow the situation, do not be outspoken all the time, have your own Chinese locals present and through them follow the negotiation and feel how it is moving forward. Always go through own local Chinese contacts, have great relationship and trust with you own local Chinese, speaking few words in Chinese is a good ice breaker and gets the Chinese to like you, spending time in China will get you accustomed, go for the win-win, Chinese remember for a long time if in your partnership you've been able to get past a difficulty/trust and appreciation, the decision-making is difficult, help the Chinese to decide by dividing the contract to smaller bits
Manager 3	Sought out clear understanding with Chinese, win-win situation that benefits both is important, be flexible, say everything in a polite way, let the Chinese lead in negotiation and dinner situations, open mind, start with a polite way, study the Chinese culture and the Chinese way of negotiation, do not be hard in discussing, explain to the Chinese your reasons in decision-making/no, go for win-win situations, the Chinese like to use mediators
Manager 4	be prepared, open minded
Manager 5	Keep things transparent, the Chinese use brokers, relationships are very important to the Chinese, never say absolute no straight to CN face, there is no end/no rock bottom in neg. for the Chinese/in their mind it's never over, Good relationships are the key to survive and get the things move along, common sense=listen more than you speak, do not get upset or lose your temper in front of the customer ever, smile always, wait for the Chinese to guide you to your place in dinners and meetings, never say no upfront, never write with red pen or red text, patience and understanding, knowledge of history and culture, laws of Confucius and harmony, win-win situation to all parties
Manager 6	Flow according to situation, take with you a translator and support/specialist Chinese from your local organization to help you negotiate, have a firm hand with the Chinese, be honest and explain your situation and your reasons, always wait to be directed to the table in dinners, personal relationships are important; you have to find the Chinese who are responsible, talk with them, create the relationship and then get the decisions from them. Cultural courses are good but you cannot believe that after the course you get it, the courses give you a hint what's going on and after you have to be active and interested about it.
Manager 7	Never be arrogant, be humble; if you are arrogant ant try to push the European way to the Chinese you are out of the negotiations immediately. Never lose your temper, Chinese will remember it and you're out. Always let the Chinese guide you to your place at dinner Table; beforehand one seat is already set for you. It's important to know ice breakers and small cultural things; know few words in Chinese and the Chinese respect your knowledge and understanding of their culture. Be open-minded, understand the Chinese political climate, build-on respect and trust. Straight forward approach does not work with the Chinese. Dinners and drinking are extremely important.
Manager 8	Without good relationships you won't get anything done. Be passive and listen more, Finns and Chinese do work well together. Talk to your colleagues and find out about their experiences. Chinese do understand that you are a foreigner and cannot understand everything about their culture. If you show that you are interested about their culture, they do appreciate it and that creates the relationship. Local Chinese are important to have.