Wining and Dining in China
- How Swedish companies perceive and adapt to cultural differences when managing business relationships in China

Author(s): Robin Andersson, Robin Magnusson, Zheng Sun
Tutor: Dr. Richard Owusu
Examiner: Dr. Firouze Pourmand Hilmerssson
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Preface

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Abstract

China as an Asian country has now an ever growing importance to the world economy and Sweden as a western country is having more and more collaboration in business with China. Due to the cultural differences between Sweden and China, managing relationships in B2B market has been challenging for Swedish companies doing business in China. Our study aims to find out what cultural differences are perceived by the Swedish companies and what adaptations they have made to the cultural differences so as to manage the business relationships. This study is based on the theories of Trompenaars and Hampden-Turner’s dimensions of human relations and Marx’s cultural shock triangle. Also we have referred to theories on Chinese relationships, Guanxi.

We have used deductive method and conducted seven interviews, namely five with Swedish companies that have business in China and two people respectively from the Swedish Chamber of Commerce in Shanghai and the Regional Court in Kalmar of Sweden. We have come to the result that the Swedish companies are mainly challenged by the cultural differences such as the language difficulty, time orientation of Chinese and the personal approach in business relationships management. In this case the companies have made efforts to increase knowledge in the Chinese culture but also to establish local sales offices and carry out a joint venture with the Chinese business partners.
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1. Introduction

In the first chapter we will start to describe the background of our problem and then present the following problem-discussion, which will lead in our problem statement and purpose.

1.1. Background

Globalization is a wide subject covering most aspects of the internationalization of the human society. Globalization in terms of business makes it possible and easier for actors around the world to trade internationally (Ekholm, 2008). Demirdjian (2008) argues that even though companies were conducting business internationally in early stages, the phenomenon of globalization is something that has set a major mark in the business society during the last couple of decades. We are today able to share information and send products worldwide with short delivery time thanks to development in the areas of IT and infrastructure. In addition, conducting business globally is also eased thanks to liberalization of markets.

Hamilton and Webster (2009) argue that the globalization mostly consists of the three economic blocs of NAFTA (USA, Canada and Mexico), Western Europe and Japan, which account for over half of the world’s international trade. However, the triad is challenged by emerging countries including China, which has taken the second place as the list of the world’s largest trader after Germany. The area of Asia Pacific suffered in the late 90’s from a severe financial setback but has since then recovered well and is today again an area that many western companies choose to expand to. China, as part of the strong region of Asia Pacific, has been growing rapidly ever since the free market reforms in the late 1980’s (Hamilton & Webster, 2009).
According to Cai (2010) the Chinese growth started even earlier, already in 1978 signs of significant economic growth were shown. He continues stating that the average net incomes for both rural and urban residents have grown over seventeen fold from 1978 to 2007. The Chinese growth is not only shown in the residents’ income, but also it is possible to see a steady growth in the trading performance of the country as well. Athukorala (2009) means the merchandise exports in 1978 were worth eight billion US dollars and accounted for 1% of the world trade. The same category increased to be worth 1442 billion US dollars and answered for 13.4 % of the world trade.

The world market is highly competitive but during the last decades the setting has changed. Athukorala (2009) reveals statistics showing that it is more parts of the international business than the exporting that China has an increased importance in. Looking at the total manufacturing of the world China was accounted for 3.7 % in 1992/1993 and until 2005/2006 the number increased to 12.6 %. Also in the column of imports the country has a significant growth and shown even higher numbers. The fact is that already in 2005/2006 the country had passed Japan and they were on the edge of passing the NAFTA bloc in named categories.

China has as stated above increased its international influence and involvement while the western market has recognized China’s potential and more and more western companies are expanding internationally (Clegg, Wang & Berrell, 2007). Scandinavia, as a part of the western world consists of countries that cannot claim the power of their market due to its size. However Sweden as well as other Scandinavian countries is well considered in China and the large Swedish enterprises are seen as role models. The Swedish collaboration with the Asian countries has been growing in importance during the last couple of decades, and it is possible to see that China’s entering of the WTO in 2001 has been vital as they have grown to be the biggest Asian partner for international trade for Sweden (Swedenabroad.com, 13-04-04). In the year of 2007 the two countries agreed on a memorandum of understanding which is focused on the Corporate Social Responsibility
and how the problems concerning this area can be dealt with, in cooperation between the
countries (Swedenabroad.com, 13-04-05).

Having the opportunity to perform worldwide does not mean instant success when reaching
out to international markets, a company will have to face actors with different backgrounds.
Culture as a concept becomes more and more relevant in today’s business life
(Trompenaars & Woolliams, 2003). The authors refer to cultures like onions, one has to
peel each layer off and go deeper to fully understand the values, norms and way of acting in
the certain culture one is facing.

Ambler and Witzel (2000) claim that one of the obstacles for when western businessmen
are doing business in China is the Chinese culture. Another is its history that western
businessmen are unfamiliar with. They state that the differences between the Chinese and
western cultures often create misunderstandings and are considered as an obstacle of the
cooperation of Chinese and western businessmen. Fang (2005) argues that under the
context of globalization national cultures are more transparent these days, which proves
that nowadays the convenience of studying cross cultural subjects has increased and there
thus can be more access for businessmen to understand the Chinese culture when they do
business in China.

Clegg et al. (2007) state that the knowledge about Chinese business culture is highly related
to the concept of Guanxi, which means relationships in Chinese. Meanwhile Wong, Leung,
Huang and Ngai (2007) claim that relationships in China are quite different than that in the
Western culture in which relationships are mostly related to family instead of business.
However, according to Clegg et al. (2007) there are arguments pointing out that Guanxi is a
permanent feature cultural landscape while others suggest that Guanxi is rather a
transitional stage when China has been developing towards a market economy. ’
1.2. Problem Discussion

Steel and Taras (2010) claim that despite the waves of globalization and the spread of culture-free modern technologies and lifestyles over the world, national cultures and values still have a strong impact on a nation and their people. It can explain the consistency of culture and values and also it says that people’s behavior in a nation doesn’t change easily in a short period. It is also assumed that culture is the root of economic performance and individual’s beliefs and behavior are greatly determined by cultural background (Steel & Taras, 2010). The arguments imply that when analyzing the Chinese behavior and the way of thinking in business, it would be easier to understand certain problems from the perspectives of both the Chinese national culture and values and western business values when Swedish firms do business with Chinese companies.

According to Hofstede (1984) business people in Scandinavia are described as rational and efficient. Daun (1989) argues that sensibility and matter-of-factness is appreciated by Scandinavians. However, In China there is a proverb saying “The rules are fixed; the people are flexible” (Ambler & Witzel, 2000:80). If this proverb has reflected the reality in China, we think it reveals a message that relationships between people play a very important role in the society while rules are not necessarily strictly followed by people. This assumption is proved by Ambler and Witzel (2000) who think that the questions of relationship, which is called Guanxi in China, are more important in China than in other countries. Xin and Pearce (1996: 455) state that “Guanxi has been the lifeblood of personal relationships and business conduct in Chinese society”.

Zhang and Zhu (2007) claim Guanxi can be seen as both positive and negative. When Guanxi is related to favor it can be related to words with positive meanings such as friendship, respect, effort and contribution. Yet in some context Guanxi can refer to negative meaning implying corruption and dishonesty (Zhang & Zhu, 2007). Thus the interpretation of Guanxi and the actual meaning behind the word can vary depending on which context Guanxi is put in. Davies, Thomas, Leung, Sheriff and Wong (1995) lighten that Guanxi shall be handled with sensitivity then it easily can be overemphasized
by western businessmen when it comes to the gift-giving and wining and dining components of a Guanxi relationship. This can lead to that the Chinese may view the counterpart as a “meat and wine friend” which in the Chinese culture stands for mistrust (Davies et al., 1995).

Meanwhile Gao, Knight and Ballantyne (2012) state Guanxi differs from relationships which are seen as a part of organizational assets in the western traditional view of relationships. The Chinese socio cultural context contains a very high level of complexity which has been reflected on the Chinese way of thinking and doing business (Fang, 1999). In China relationships are usually related to a person that could involve from his family members, friends to colleagues and other people in his society (Ambler & Witzel, 2000). Furthermore Guanxi also contains the meaning of returning favors when people interact with each other in the society (Ambler & Witzel, 2000). An example can be that when a person does business with a stranger the price he offers to the stranger is just as listed while if it was a friend or a relative who has Guanxi with the businessman then he could offer a price with discount (Lu, 2012). Thus it can result in differences in the two business cultures regarding to trust as Koopman (1991) states that in the Western European network, transactions are anonymous, formal and impersonal in to European firms, which are based on universal principles. Jansson and Ramström (2005) argue that the interaction in the relationships with other firms proceeds from the firm representing itself and its own interest. Relationships in firms from West Europe are mostly more lateral and have generally a more mid-term in their economic interests (Håkansson & Johansson, 1993). Yau, Lee, Chow, Sin and Tse (2000) claim that efficiency issues are often involved when it comes to cooperation through relationships in the Western European business network.

Meanwhile, when we look at the Western Europe, unlike Guanxi in Chinese business culture, there is a more clarified context and reasons of relationships-building. According to Holt, Ralston and Terpstra (1994) profitability and growth is tried to establish, which means that the firms use their relationship as a tool to achieve their goal. Among most of the Western European firms each relationship shall be developed and maintained based on
rational calculation of its own merits, due to their performance-oriented cultures and the relationships shall also be evaluated in order to conclude if it should be terminated due to the fact that it is possible that it is not viable (Holt et al., 1994). In the Western European business culture, the right to a competence field will be determined by the capacity of a person within the field. The authority in Western Europe rests on formal rules and procedures and is often delegated down the organization (Hendley, 1997).

Ambler and Witzel (2000) point out that it is unwise to assume that modern Western ways to build up relationships have replaced the Guanxi value in China today. Gao et al. (2012) think that factors that are considered to be barriers and constraints and have occurred in the Chinese-Western intercultural business have mostly been ignored. They have mentioned in their article that Guanxi has a positive impact on the performance of foreign companies in China. Interviews conducted by Fernandez and Underwood (2005) can also support this argument. In their article they stated that in the interviews to 20 top managers, CEOs and presidents of Fortune 500 companies from different industries who have entered the Chinese market and got established, a most repeated factor from the interviewees for their success in China referred to Guanxi (Fernandez & Underwood, 2005).

As rarely the Western European network would involve personal relationships and generally impersonal principles are appreciated. Meanwhile, the Chinese relationship, Guanxi, tends to focus on personal relationships in business relationships. Also rules and norms in China are different than that in Sweden. Thus when Swedish companies try to manage relationships with Chinese companies they are exposed to impacts of differences in relationships management rooted from cultural differences. Sweden is often generalized into the larger group of Western countries, even though there are significant differences among the countries. This has not, of our knowledge, been taken into account when researched before. The generalization leaves an opening for research even on the Asian side as China also is generalized even though it is not to the same amount as Sweden. Additionally China is under constant development, the strong growth of knowledge in the English language has opened new doors for Western businesses as one of the main barriers
is being demolished in the same pace. It is possible to see the development, not only in the language, but in other forums as well and these changes are forcing updates and rejuvenation of the international business research.

There are theories that have described the behavior of Chinese in relationship building in the Guanxi context and also there are theories that explain the differences in business cultures between the Western and China. But there is not much research that focuses on the reaction of the Swedish actors based on their understanding of the Chinese business culture, and the underlying cultural roots that lead to the different perceptions between Swedish businessmen and Chinese businessmen on relationship management in China. This study aims to fill in the gap as doing business with Chinese actors in China has been growing in importance for Swedish companies during the last decade.

1.3. Problem statement

Based on the problem discussion, we formulate the following research questions:

- What are the main cultural differences perceived by Swedish companies when managing business relations in China?

- What adaptations have the companies made to the business relationship management in China?

1.4. Purpose

The purpose with this thesis is to acquire deeper understanding of the impacts of cultural differences on Swedish companies doing business in China. The goal will be reached by describing and analyzing how Sweden and China are different in their business cultures and what adaptations have been made by Swedish companies in the way the firms manage business and business relationships, when they are present in the Chinese market.
2. Theoretical Framework

In this chapter we will present our theoretical framework, which begins with a presentation of various dimensions of cultural differences and proceeds with theory about culture shocks. The chapter also deals with relationships theories and will end with the Chinese concept Guanxi.

2.1. Dimensions of human relations

According to Trompenaars and Hampden-Turner (1998, 2012) the way which human beings deal with each other can be described in several orientations including universalism versus particularism, diffuse versus specific and affective versus neutral. The authors further declare that people’s ways of doing business are greatly influenced by these different orientations.

2.1.1. Universalism versus Particularism

When it comes to the universalist culture Trompenaars and Hampden-Turner (2012:10-11) state their approach as roughly as “What is good and right can be defined and always applies”. The particularist culture is distinguished from this then its priority and attention is at the obligations of relationships and unique circumstances. Trompenaars and Hampden-Turner (1998, 2012) bring up a couple of different areas where dilemmas between these two cultures are able to show up and two of these are the contract and timing a business trip.

In the universalist culture is weighty contracts a way of life. The terms in the contract are very important in the universalist culture as it reports what each party has promised to do (Trompenaars & Hampden-Turner, 2012). In the universalist culture, to make it really clear for the parties in a business negotiation that the contract and what it stands for is vital,
an introduction of lawyers could be an option. For business people in the particularist culture, this approach may be perceived as lack of trust between the parties, Trompenaars and Hampden-Turner (2012) declare that more or less the relationship between the parties will serve as a security for their promises. According to Gesteland (2005) contracts with contrasting perceptions can cause misunderstanding between the different cultures. Furthermore Trompenaars and Hampden-Turner (2012) point out that an actor that comes with a contract that is too strict or has penalty clauses, is able to be treated as non-credible which can lead to an end of their business relation. Gesteland (2005) says that the best approach is to hold the lawyers in the background and during the breaks conferring with them. The author also means that contract lacks the flexibility and durability, which relationships have. Trompenaars and Hampden-Turner (2012) mean that particularist business people as in the Asian culture may expect contracts to be qualified where circumstances have changed.

According to Marx (1999) the ways people organize activities with others are strongly influenced by how we think about time. The sequential time concept for Western cultures is often based on a straight line where everything is planned to tight and efficient time schedules, which is seen as “time is money” attitude. Marx (1999) continues saying that it is considered as a normal practice to do several activities at the same time in synchronic societies. To have another conversation at the same time the person talks in the phone is an ordinary thing to do, even to answer on the mobile phone in a business meeting is acceptable in the society. The focus on being on time is less important in a synchronic culture and they are valuing flexibility higher than schedules (Marx, 1999). Marx (1999) argues that you need to realize the value of the past and of traditions when working across cultures and means that business projects may fail because of a disregard of this.

Trompenaars and Hampden-Turner (2012) confirm this and explain that to create a good and close business relationship for universalist business peoples as the Scandinavians or the British with particularist businesspersons there is a need to invest a lot of time when
visiting a person. Trompenaars and Hampden-Turner (2012) further explain that it has to do with that particular business people are getting suspicious when hurried.

2.1.2. Diffuse versus Specific

“Doing business with a culture more diffuse than our own feels excessively time consuming” - Trompenaars and Hampden-Turner, 2012:108

According to Trompenaars and Hampden-Turner (1998, 2012) everything is connected to everything in diffuse cultures. Information as what you think about life, music, politics and so on are things that the business partner may want to know about. Gesteland (2005) argues that firms in this culture do not prefer to do business with strangers. Trompenaars and Hampden-Turner (1998, 2012) confirm this and explain that a firm in a diffuse culture strives to first establish a relationship of trust with the other actor and then after that concentrates on the specifics of the business. In a specific culture the actor strives to get “straight to the point” business directly and if the actor shows interest you establish a relationship afterwards.

According to Trompenaars and Hampden-Turner (1998, 2012) a specific culture has considerable freedom for direct speech. Their small areas of privacy that is separated from the public life can explain this behavior, and a frequent comment is “do not take this personally”. The authors continue and explain that this approach can be an insult if it happens in a relationship with people from a diffuse culture. They also say that people from a specific culture find it very easy to inadvertently insult their opposite diffuse partners. Trompenaars and Hampden-Turner (1998, 2012) mean that this is able to happen because of their lack of understanding in the principle of losing face and that happens when something that people perceive as being private is made public.

Diffuse and specific cultures are also known as low and high context and can be explained as, “how much you have to know before effective communication can occur, how much
shared knowledge is taken for granted by those in conversation with each other, and how much reference there is to tacit common ground” (Trompenaars and Hampden-Turner, 2012:111). High contextual countries like China and Japan believe that before a business properly can be discussed the stranger must be “filled in”. Meanwhile low context countries such as Sweden and the Netherlands think that the fewer initial structures there are the better and that the stranger should share in rule making (Trompenaars & Hampden-Turner, 1998, 2012). While low context cultures are seen as very flexible and adaptable, high context cultures are seen as rich and subtle. However they have a heavy “baggage” and actors that are not fully assimilated may never really be comfortable (Trompenaars & Hampden-Turner, 2012).

2.1.3. Affective versus Neutral Cultures

According to Trompenaars and Hampden-Turner (2012) reason and emotion play a vital role when it comes to relationships between people. People in a neutral culture do not share their feelings largely, instead they prefer to keep them carefully controlled and subdued. For a highly affective culture it is the opposite, the people in this culture show they are feeling plainly by gesturing and grimacing. Gesteland (2005) means that business cultures of relationship-focus/affective and deal-focus/neutral differ in the way they communicate. The greatest misunderstanding between these cultures is caused by the communication gap (Gesteland, 2005).

The differences between affective and neutral approaches can be a source of the variety of problems of communication across cultural boundaries (Trompenaars & Hampden-Turner, 2012). The exchange of information can come from words, ideas or emotions and is the meaning of communications. The authors mean that only between people who to some extent share a system of meaning are able to handle a communication. Gesteland (2005) says that the priority for deal-focus/neutral business people when they are communicating with other is to be clearly understood. Gesteland (2005) further explains that they often say what they mean and mean what they say. Trompenaars and Hampden-Turner (2012) say that once people in this culture stop interacting in a conversation it can lead to the persons
feeling nervous and uneasy. In the high context culture, interrupting is a way to show interest. In low context cultures, it is not polite to interrupt, therefore, when A stops, B starts.

To show respect, the Asians tend to have a monotonous style; they are self-controlled when speaking. It is often that the lower and flatter the voice is, the higher positions a person holds in the Asian culture (Trompenaars & Hampden-Turner, 2012). Gesteland (2005) says that promoting smooth interpersonal relations and maintaining harmony are the priority for relationship-focus/affective business people and that to avoid offending other people they carefully watch what they say. Trompenaars and Hampden-Turner (2012) say that the silent communication in the Asian culture frightens the westerner. According to Trompenaars and Hampden-Turner (2012) the highly neutral and the highly affective cultures have problems doing business with each other. The authors say that this is due to the fact that a person from a neutral culture is ice-cold with no heart which peoples from a affective culture easily accuse them for, while persons in the affective culture is accused to be out of control and inconsistent.

2.2. *The culture shock triangle*

Marx (1999) argues that all levels of culture shock need to be considered within a more comprehensive model in order to increase our international effectiveness. The author means that there are three levels of culture shock that an international manager has to deal with, psychologically. The three levels that an international manager has to cope with are emotions, thinking and social skills and identity. Marx (1999) says that the international adaptation of these three levels lead to a couple of aims for the manager that are, *(i)* *coping with the stress of the transition*, *(ii)* *changing the perception and interpretation of events and behavior*, *(iii)* *developing better social skills and an international identity*. 
2.2.1. **Emotions**

According to Marx (1999) there are often reported that the personality of an international businessman are closely connected to the positive effects of their work result, it also shows that there exists some emotional reactions in the work. Further the author mentions that short-term international managers that are constantly travelling, dealing with new environment and have a hectic lifestyle, have a chance or risk to be affected psychologically by the various emotions, which can affect the performance at work. Kumar (1997) states when actors shall mediate the dynamics of interpersonal interaction the emotions play a crucial role. The author also means that the perceptions of the trustworthiness of the counterpart are influenced by the emotion. According to Andersen and Kumar (2006) negative emotions or lack of personal chemistry can be a reason for a terminated relationship. The authors further argue that the role of emotions is crucial in all phases of the relationship e.g. in the initiation and the development phase.

2.2.2. **Thinking**

Living in a predictable, well structured and a familiar environment makes understanding easy, as everything is clear when it comes to cultural norms, gestures and the meaning of expressions (Marx, 1999). A simple phrase as "how are you" can be interpreted differently at various points, which mean that nothing can be taken for granted. The author continues and states that to expand our thinking and to learn new things are a vital part of the process. Marx (1999) argues that the foreign situations that are able to show up can be treated in three different ways. As a **colonialist**, who does not react to the foreign culture, as an **imperialist**, who is forcing his or her way of thinking and the own value system on to the new culture but not adapting how they interact and not want to change their perceptions and attitude. The third way is as an **internationalist/ interculturalist**, who more or less is aware of the foreign culture and tries to find a compromise between cultures and changing the way of thinking and attitudes.
2.2.3. **Social identity and skills**

Marx (1999) means that in a new culture the familiar context in which our behavior makes sense is missing. The author argues that the new culture may react negatively on behavior that at home is rewarded and valued. An example can be shown in the USA where directness and assertiveness can be seen as positive but in China, this behavior could be seen as rude and inadequate. Marx (1999) says that the unfamiliar influences a foreign culture brings with it can in a high degree affect a person to feel insecure. According to Marx (1999) our well-formed notions of how we act are threatened when we learn that there are different ways of working and establishing relationships. The author means that a conflict between our own values and those of other cultures are experienced when an interaction more closely takes place with a foreign culture.

Mixing business and pleasure is handled according to Marx (1999) very differently in diverse countries. Marx (1999) says that there is a need for the individual manager to adapt to a specific country’s settings and also develop the required social skills that are needed. When it comes to cocktail parties or dinners, where business is not on the agenda and instead leisure chatter is common, Marx (1999) means that particular introvert or socially reserved managers are lost when they usually work in more structured business situations. The author further states that this could be a problem when managers are in cultures where relationships are going to be established first after the phase where people are getting to know each other. However Marx (1999) argues that it is more vital for the individual manager to develop attitudes and behavior that are comfortable and effective rather than make great cultural adaptations.

2.3. **Relationships in business market**

With reference to IMP group’s conceptual work, Gemünden, Ritter and Walter (1997) state that the concept of a business relationship is based on the ongoing interactions between a buying and selling company. They claim that with the interactions that the companies are having the companies are engaging in relationships and building up contact so as to
enhance the effectiveness and efficiency of transactions. Furthermore, Gemünden et al. (1997:14) define networks as “sets of more than just two connected exchange relations of companies of individuals.” Ford, Gadde, Håkansson and Snehota (2003) claim that business relationships cannot exist without being connected to others in a network.

Gemünden et al. (1997) have stated that business companies cannot be free from being interacting and interdependent on other companies. Thus companies in business markets have to be aware of the existence of other actors and cooperate with others. Ford et al. (2003) also state that all companies have relationships. With the help of business relationships companies can take advantage of its own internal resources as well as external resources that exist in the network around them (Gemünden et al., 1997). Ford et al. (2003) claim exchanges of resources between companies happen through relationships with each other. They claim that it is essential for companies to learn to cope with the relationships they have with their counterparts as that how to cope with relationships can determine if a relationship can determine if the relationship is successful.

Ford et al. (2003) state that there are three aspects that a relationship between two companies consists of, namely actor bonds, activity links and resource ties. Gemünden et al. (1997) refer actor bonds to the trust between two companies in a relationship. Ford et al. (2003) mention it is important to take social distance between the actors in a relationship into account. Gemünden et al. (1997) state social distances between actors in a relationship are the consequences of factors such as organizational cultures, enterprise sizes and time horizons. Meanwhile they point out that personal communication is a key factor when it comes to such social distances as which can be reduced by personal contacts and information exchange. Ford et al. (2003) state that one of the social distances refers to cultural distance, which is resulted from the differences between two companies’ norms and values. They address that by learning and teaching each other’s needs in the relationship the companies can increase knowledge of each other, thus reducing uncertainty of both sides.
According to Gemünden et al. (1997), activity links can be defined as the extent to which the companies’ technical, commercial and organizational activities exchanges are carried out. Ford et al. (2003) claim that activity links between companies are developed by repeating transactions and it is necessary for companies to have interlocking of behavior. Gemünden et al. (1997) have also argued that activities of the companies should be adapted to those of the companies that they have direct relationships with. Such adaptations, according to Ford et al. (2003), are also essential when forming resource ties between the companies.

According to Ford et al. (2003), to maintain a relationship it requires investment and adaptations, which should be carried out by parties that are involved in the relationship. Gemünden et al. (1997) also consider the effort made to build and maintain a relationship as a maintenance cost and investment. Ford et al. (2003) claim that such adaptations made by companies in the relationship would create interdependence of the parties and such adaptations further form resource ties between the companies in a relationship.

2.4. Relationships in the Chinese context

Jong (2009) states that “the potential of a firm to create competitive advantage depends not solely on its own resources but also on its relationships with other firms” (2009: 146). Freeman, Edwards and Schroder (2006) mean it is critical for firms to develop relationships with other firms on international markets. Clegg et al. (2007) address it is necessary for a foreign company’s subsidiary to establish a trustful relationship with the local firms. Freeman et al. (2006) further argue that business relationships can enhance economic performance of a company but also problems are in company with the benefits of relationships.

Freeman et al. (2006) point out that one of the problems is due to the fact that international relationships involve uncertainty because of the psychic distance that adds difficulty for business partners in international markets. Chaney et al. (2003) claim that norms, rules, roles and networks are situational factors and play a very important role in communication
between people from different cultures. Norm, rules and roles are all related to people’s expectation of how a person should behave in a certain cultural context. They further argue that there are barriers of communication process due to that the people taking part in the communication are from different cultures. The barriers could be related to different languages, different experiences of life and differences in cultures which could refer to ethic, religious and social differences between different partners with different culture backgrounds (Chaney et al., 2003).

Meanwhile it has to be clarified that there are certainly big differences between the Chinese culture and the Western culture and Samovar, Porter and McDaniel (2009) argue that despite the influence of Confucianism over the world it is the Chinese people who are most impacted by the Confucianism. They point out that in Chinese culture social relationships are much emphasized and it is considered as the basis of a society (Samovar et al., 2009). Ambler and Witzel (2000) further claim that the whole Chinese society is organized on relationship principles. Meanwhile, Ambler and Witzel (2000) argue that relationships are important in business in China due to two main reasons. One of them refers to that the central government and local governments in China are involved in economic activities, which results in that it is a necessity to manage a solid relationship with the government. Gao et al. (2012) also conclude that with reference to the differences between Western and Chinese cultures, it is crucial for western managers in China to manage the co-existence of culture differences in a harmonious way. They state that with an interpersonal relationship between foreign managers and Chinese counterpart’s conflicts there would be more ways to solve possible conflicts and also it would be beneficial when western companies are dealing with Chinese bureaucracy and hierarchy (Gao et al., 2012). Relationships are considered by the Clegg et al. (2007) as crucial when companies have limited resources as with Guanxi they could increase commercial guarantee and are provided with government protection (Clegg et al., 2007).

According to Ambler and Witzel (2000), the second reason to motivate the importance of relationships in China is that the regulations are not seen as the complete resolution for
problems while legal issues are relationship issues in nature. Social pressure related to social norms and unspoken rules are expected to be ensuring commitment (Ambler & Witzel, 2000). They state that “it is no exaggeration to say that relationships are the modus operandi of Chinese business. They are how things get done (Ambler & Witzel, 2000:81).” They further suggest that companies should consider legal, contractual issues simultaneously with relationships when doing business in China. Clegg et al. (2007) also state that the reason for that is the fact that in China the institutional frameworks today are relatively not reliable. Thus personal contacts and relationships should be emphasized in the Chinese business environment.

2.4.1. Guanxi

Ambler and Witzel (2000) have mentioned one of the key principles in relationships in China, which refers to Guanxi. The authors define Guanxi as relationships or connections. They describe Guanxi as rooted from Confucianism and in the context of Guanxi individual is a relational being (Ambler & Witzel, 2000). Meanwhile, Gao et al. (2012) see Guanxi and relationship as basically of the same meaning except for that Guanxi has a “special” and “particularistic” nature. They point out that it is difficult for outsiders to take part in Guanxi unless they are already part of it. Clegg et al. (2007) define Guanxi as personal business connections and relate it to profitability and competitiveness of Chinese enterprises. They refer Guanxi to connections between firms with business partners as well as officials. Meanwhile they point out that the definition of Guanxi is still of ambiguity and keeps changing (Clegg et al., 2007).

Clegg et al. (2007) mean Guanxi is crucial for companies especially when a company is in the early stage of establishment in the Chinese market. Gao et al. (2012) argue that foreign companies in China should maintain their previous relationships as based on those relationships the companies could further develop contacts and relationships. Guanxi is described as a positive impact on foreign firms as Guanxi is beneficial for conducting operations and it is also considered to be a competitive advantage in the Chinese business context.
2.4.2. Guanxi as personal relationship

Yang and Wang (2011) state that compared to relationships in the western business context Guanxi is more personal rather than impersonal. Wong et al. (2007) claim that in the western business relationships start with contracts and are mostly referring to that of inter-organizational level, while in China personal relationship is considered as the first step in the business relationship context. In another word, Guanxi is much dependent on personal relationships between individuals. Gao et al. (2010) state that IMP studies on inter-personal relationships in business that in the West close personal relationships are regarded as an output rather than input of a successful business relationship. The differences of views on relationships between China and the West are obvious as Gao et al. (2010) argue that in China a successful personal relationship comes before transactions while in the West it is the opposite. Gao et al. (2012) further emphasize that in China business relationships cannot be separated from personal relationships. They point out that Guanxi is rooted from emotional commitments and they consider Guanxi as inter-personal relationships where personal trust is significant in relationships (Gao et al., 2012).

Shi et al. (2010) have made a more clarified definition of the relation between relationships and Guanxi, by saying that the concept of Guanxi is included in the concept of relationships while relationships have a more extensive meaning. They argue that there are two kinds of tie relationships. The first kind is based on personal feelings and is more stable and personal, usually existing between family members while the latter is an “instrumental tie” which is impersonal. They further point out that Guanxi is a mixed tie relationships as Guanxi is based on personal relationships while it is not a kind of relationship shared by family members (Shi et al., 2010). Yang and Wang (2011) also argue that Guanxi is greatly based on friendship where emotional commitment and closeness of the actors in relationships are emphasized. In return the emotional commitment and the degree of closeness of the actors can decide the strength of the relationships. The authors argue that there is not a clear line between relationships on personal level and on organizational level because a strong relationship on individual level can be shifted to organizational level. Thus Guanxi is defined as being “convertible” and it
is an important factor of companies’ performance and competence in China (Yang & Wang, 2011). Also Shou, Guo, Zhang and Su (2011) claim Guanxi is beneficial for the firms to strengthen cooperation with their partners through building trust and sharing information.

Despite the importance of Guanxi in China, Gao et al. (2012) state that some foreign entrants in China might see Guanxi as mostly negative as they usually relate Guanxi to ethical issues such as bribery and corruption. They argue that foreign manager might regard Guanxi as a barrier in China as to build up and maintain Guanxi the companies have to spend time and resources during the process (Gao et al., 2012).

Clegg et al. (2007) state that there are three positions on the importance of Guanxi in China, which refer to thinking of Guanxi as of “overwhelming importance” and a must to do business in China, regarding Guanxi as “circumspect” and seeing a ever declining importance in Guanxi when doing business in China. Furthermore, the authors have related the significance of Guanxi for a company to its size by arguing that large firms are less dependent on Guanxi as they can leave the task to local subordinates. Also Guanxi is less significant for the firms that have been established in the Chinese market for a long time. Clegg et al. (2007) emphasize at the same time that Guanxi is more highly rated in its impact on firms in less developed and more regional parts of China.

Clegg et al. (2007) argues that it can be “dangerous and inefficient” if a company becomes too dependent on one relationship as when the relationships no longer exists the company could suffer a great loss. The authors also point out that regarding the evolvement of the Chinese intuitional frameworks the significance of personal relationships and Guanxi are going to decrease (Clegg et al., 2007). As stated earlier in the context the importance of Guanxi is related to the size of a firm, for medium and large sized companies with more resources the significance of Guanxi is reduced. Meanwhile due to the size of those large companies obtaining Guanxi is easier than smaller firms as the former usually has an international influence (Clegg et al., 2007).
2.4.3. **Commitment and trust in the Guanxi context**

Wong et al. (2007) define that commitment occurs when a party have confident in their exchange partner and are willing to rely on them. They also point out that Guanxi is based on commitment, which is built on frequent interactions between different parties. Shi et al. (2011) claim commitment enhances the intention of a party to continue the relationship. Meanwhile they consider commitment as a consequence of trust in relationships building. Clegg et al. (2007) have defined inter-organizational trust as being an “abstract” version of interpersonal relationships and individuals involved in trust building are aiming at enhancing trusting relationships by various activities. Huemer (1998) states that trust between individuals can be divided into individual expectations and personal behavior while he says that it can also be seen as an institutional arrangement which leads to actions such as contract signing and sanctioning. He further points out that organizational trust is highly related to institutional arrangements which refer to contracts and bureaucratic procedures.

However, Ambler and Witzel (2000) state that contract in China is not an action of free market as it is a result of Guanxi building and maintaining. Interestingly the authors point out that as Guanxi can be used to reduce uncertainty and risk, therefore they claim that trust is built through introducing more risk as a test in order to build up trust between different parties (Ambler & Witzel, 2000). According to Song et al. (2011) Guanxi replaces legal protection for companies when it comes to trust building. Shou et al. (2011) claim that trust in the Guanxi context is built by being engaged in Guanxi behavior, referring to face giving and favor exchange. They claim that Guanxi behavior is a “relational effort” and “affect investment” as Guanxi is developed on the basis of friendship which helps companies share resources with other companies (Shou et al., 2011).

Song et al. (2011) state that organizational research shows that affective bonds are crucial among business partners in China and therefore trust in China is produced based on affect. They describe the difference of building up trust in the West and in China as being “trust from head” and “trust from heart” (Song et al., 2011:403). According to Song et al. (2011) the trust from heart is defined as affect-based trust while the trust from head is defined as cognition-
based trust. They explain that the former refers to trust that is based on the perception of competence while the latter is the trust that is based on emotional bond. Shou et al. (2011) state that by following Guanxi behavior Guanxi is maintained and strengthened so trust is therefore a consequence of such Guanxi behavior while Guanxi is preexisting before trust is developed.

Ambler and Witzel (2000) state that such as favor exchange is considered as a type of credit in business in China. According to Ambler and Witzel (2000) the word face is called as *mianzi* in Chinese, which generally means people’s prestige and dignity. They argue that it is difficult for westerners to understand the meaning of giving face in China which means enhancing another person’s reputation. Furthermore exchange of face is considered as important in the Guanxi context as giving face can help to establish good relationships and also it can strengthen the Guanxi that already exists (Ambler & Witzel, 2000).

### 2.5. Theoretical Summary

In this part we will present our theoretical framework, in which we will describe how the theories we have presented in the earlier part in this chapter can be connected to each other so as to answer our research questions. By discussing the connection between the theories, in the end of this chapter we also want to clarify the theoretical contribution of this thesis.

In the first part of the theoretical chapter we have described how the differences in cultures have been reflected on the various business cultures. The theory of the dimensions of human relations shows the nature and the root of the cultural differences between Western people and Asian people. The cultural shock triangle theory we have chosen serves to show cultural differences’ impact on business people when they are confronted with another culture and how they can make adaptations to better perform in the different culture. In the second part we have focused on relationships of companies in business market and in the later part we also have extended relationships in the Chinese culture context, meaning Guanxi. In this part we are attaching an importance to describing how business relationships are in the Chinese culture.
As our first research question is what the cultural differences there are that are perceived by the Swedish companies doing business in China, it is important not only to discover and describe the cultural differences that exist in practice, but also it is critical to emphasize the perception of the cultural differences in Swedish business people’s eyes. We will use the theory dimensions of human relations to analyze how the Chinese business people’s behaviors in managing relationships, Guanxi, would be perceived and interpreted by the Swedish business people as Westerners as the theory tracks down to different ways of thinking that lead to different behaviors and cultural traditions between the Westerners and Asians.

With the help of the theory, as it describes the cultural root of Westerners’ behavior in business, we would be able to see a different picture of Guanxi when it is illustrated from Westerners’ point of view. Thus we can later with the help of our empirical data interpret the perception of Swedish business people on relationship management in China with a deeper insight into their way of thinking due to the impact of their own cultural root. Also by presenting the theory of cultural shock triangle we can take the impact of cultural shock on business people as individuals into account, so as to analyze how the fact that Swedish business people are in a different culture can add to the difficulty they already have in understanding the Chinese business culture with reference to relationship management.

In order to answer our second research question, what the Swedish companies do to adapt themselves to the cultural differences in practice when doing business in China, we will mainly rely on the study result of the first research question mentioned above. By answering the first research question we will be able to see the key factors that lead to the difficulty for Swedish business people to understand the Chinese culture concerning business relationship management. Therefore we can analyze the motivations behind the adaptations that the Swedish companies have made in order to manage the business relationships in China and also we can see what further adaptations could be made by the Swedish companies.
There have been studies trying to explore how relationships work in business in China by presenting theories on Guanxi and Chinese culture. The focus of those studies about Chinese' behavior in business relationships management has been on the Chinese culture and how the culture impact the way of Chinese business people’s thinking that leads to their behavior. However, it is only a one side analysis if it is only the Chinese culture that is taken into consideration when analyzing the culture differences between Westerners and China.

In our study, we have used theories on the cultural root that leads to the differences in business cultures between the two parties, Westerners and Asians, to analyze the main differences in business relationships management that the Swedish companies have confronted when doing business in China. Like using a dictionary, we have translated the Chinese Guanxi culture and Chinese business people’s behavior in the relationship management into the “language” of the Western culture. In that way we can see how the Chinese Guanxi is interpreted by Swedish business people with reference to their own “language”, namely their way of thinking impacted by the Western cultural root. Only when nature the cultural differences is clarified, can the adaptations be made that can better manage the business relationship management by the Swedish companies in China.

With this background we present our own created model as following:
3. Methodology

In the following chapter the process from the theoretical foundations towards our goal and how the implementation and processing of empirical data has been developed and executed will be described.

3.1. Deductive approach

Graziano and Raulin (2013) mean all scientific theories are built upon induction and deduction. But they also explain that it varies to what extent the different theories or methods are used. Induction as a working process is started with an empirical base and is later to be proved in theory. The deductive approach is explained the other way around, a finding of a gap of knowledge or a problem in existing theory and is brought out to be proved or researched in the empirical life (Graziano & Raulin, 2013, Bryman & Bell, 2011). There is another mode one can use when conducting research and it is the abductive strategy. This approach has its base in the empirical world but is then strengthened through theory and tested for new findings once again in empirical research (Alvesson & Sköldberg, 2007).

The approach chosen for this project is the deductive, as there is a large source of information regarding cultural differences between China and the Western world. We as authors are convinced we can build up a deep understanding from the theory and with that investigate the empirical experiences of Swedish businesses. Patel and Davidson (2011) mean the neutrality is strengthened through working deductively as the research has its base in prior theoretical research.

As explained above the deductive approach more or less starts in theory and advances into empirical research to be proven. Much of the earlier research that has been done have generalized the Western world, Trompenaars and Hampden-Turner (2012) as one example. Thus we found a gap as this thesis has a focus on Swedish firms. Therefore we find it logical to attempt to fill parts of the gap that the international business studies have left.
Using a deductive approach the researches usually state questions or hypotheses that in the end should be proven, this approach is often connected to quantitative research (Bryman & Bell, 2011, Olsson & Sörensen, 2011, Bitektine, 2008). Despite this we are using the deductive approach for our qualitative research and we intend to, during our interviews, ask questions open for discussion or reasoning to not just receive “yes” and “no”-answers.

The focus of the study is how different Swedish firms have been in and handled situations connected to cultural differences. We are convinced that the deductive approach is to prefer as we found it easier to research and understand cultural differences when starting theoretically. In this way we could gain knowledge and understanding of the subject before the interviews were made and therefore we were able to ask more precise questions.

3.2. Qualitative studies

Research is usually made out of one of two main frames, either a quantitative study is carried out or a qualitative one (Davies, 2011). The qualitative research of a subject is meant to reflect and analyze with the aim to gain understanding on a deeper level while a quantitative one is often put into place to measure something (Silverman, 2010, Bryman, 1997, Merriam, 2009). Therefore the qualitative study is preferred over the quantitative strategy when it comes to a social researching problem.

Silverman (2010) means these methods are not separated by a sharp edge as they are sometimes lying closely together. He means an approach can be more or less qualitative or quantitative, this these is supported by Corbin and Strauss (2008). Bryman (1997) argues that in the quantitative studies it is the interpretation of the researcher that is important whilst in a qualitative approach it is the interviewee’s opinion or described experiences that is the vital part. Explained earlier the quantitative studies are connected with the deductive approach and the qualitative ones with the inductive (Bryman & Bell, 2011, Olsson & Sörensen, 2011, Bitektine, 2008). However Bitektine (2008) also says that this is not a complete truth as there have been fruitful studies completed going across the lines of the norms.
Our data collection is based in the qualitative method along with the deductive approach. We find it highly relevant to study the cultural differences through interviews where the emphasis is put on the respondent’s experiences. In the role as researchers we know that it would be possible to investigate this problem by carrying out a quantitative study by sending out surveys. We are also aware that it would be preferable to reach as many companies as possible.

Looking at earlier cultural research such as Hofstede (1984) and Trompenaars (2012) one can see that their sample is large. Our research does not reach the same size of sample but as we are using a different method and we want to go deeper and more specific into what differences there are and how to adapt to them.

The main problem that we would be facing if conducting a research based on questionnaires is the lack of reasoning around the subject and that is one of the major reasons why we are meeting respondents for interviews. We think that the cultural differences cannot be simplified and that requires space for the companies in this case to explain what it was, how it felt and how they reacted to the circumstances in China. It also allows us to modify our questions during the interviews or ask following questions if there was anything that was unclear. When we have the possibility to ask following questions we believe that our reasoning and understanding about different cultures will be better as the interviewees can explain if there are things that are unclear to us. There have been voices raised towards qualitative data collection because of the generalizations made for the conclusion of the problems (Denscombe, 2009). This criticism is valid for our research as well but we claim that the importance of the depth in our interviews weighs more than the bigger sample we could have reached by a survey.

3.3. Research strategy

The strategy of the research consists of the systematic procedures that the researcher uses in the study, however the method of the data collection describes how the information is collected (Denscombe, 2009). There are of course several ways to collect data for a
researching project. Yin (2007) presents experiments, surveys and case studies as examples of common ways. We have chosen to conduct a case study for this particular thesis as we see it as the best approach to collect data of real quality that will lead us to a conclusion.

Yin (2007) defines a case study as a study of a current situation in its real context. Yin (2007) also states the case study is preferable as one get to ask questions of “how” and “why” and the researcher has the opportunity to control the interviews. The nature of these questions is more applicable to our study as we intend to acquire a deeper understanding about the underlying causes of different behavioral patterns. It is vital to our study that we ask questions formulated so that the respondent needs to explain and build up an answer. The cultural differences cannot and should not according to us be answered with only one word or sentence. Therefore we are carrying out a case study with personal interviews. The case study as a method generally offers a path for the researcher to reach a descriptive state of experiences and relations in a chosen field (Yin, 2007, Punch, 2005, Berg, 2004). Punch (2005) means it is hard to define what a case really is since almost anything can be put into a case study. Researchers seem to somewhat have agreed on the fact that it is one certain or several questions of one area that are put into a research as an attempt to gain full understanding of it (Berg, 2004, Yin, 2007).

This study’s distinct focus is about how Swedish business representatives perceive the business culture of China and how they react to it while managing relationships. It is a problem that has been stated in earlier research that it can be difficult for western firms when they are doing business in China due to cultural differences (Gao et. al. 2010, 2012, Ambler & Witzel, 2000). Therefore we find it logical to conduct a case study for this particular project. What is alluring for us for this study is that we through the questions are able to reach an open discussion with persons who have experiences and knowledge about the field that we are interested in. We have turned to several firms in our case study as it might give us the possibility to establish a pattern or that one firm’s experience confirms the others and in that way increase the trustworthiness of the results.
Significant problems and sources of criticism pointed at case studies are the problem of the generalizations made and the possible biased position of the researcher in the research (Yin, 2007). Punch (2005) claims this criticism turns up quite often and that it therefore is important to take it seriously. He also means that there are situations where one should not generalize, where the generalizability is low. Those are the situations where a case is so unique in its kind or misunderstood that it should not be generalized. Punch (2005) states that there are also cases where something else but just the case is in mind, where one is trying to find something that is more broadly applicable. This is when a researcher studies one or two firms but is doing it to be able to apply it to similar situations in other firms. Much of the criticism aimed at case studies is related to the trustworthiness of the work. Yin (2007) argues a researcher really needs to present the results and the whole work in an honest way.

Yin (2007) discusses the term of generalization and the generalizations made of the results acquired. The “analytical generalization” is a concept that could be used when conducting a case study. It has its foundation in statistic generalization but Yin (2007) claims it is applicable to cases as well. The researcher starts out with a theoretical base and uses this as a template for the results of the study. Yin (2007) means that if similarities between the different analytical units are shown and a pattern that suits the theoretical template appears, the results are to be considered strong. If they in addition to suiting the same theory also together contradict another theoretical aspect it adds even more support to the thesis. This process is made to be able to avoid problems with generalizing companies as there is no exact answer for all companies.

We are aware of the fact that one cannot generalize a whole culture. On the other hand it could be the way to find the differences among cultures. Looking at Hofstede (1984) or Trompenaars and Hampden-Turner (2012) we know that their studies are larger with a lot more respondents, but their studies were conducted through questionnaires and does not focus on the single relationship between Swedish and Chinese firms. We are searching for a pattern of cultural differences that is the most common and how to react to them from
personal interviews to reach real experiences. We think personal interviews will give us more useful information compared to a survey study.

3.4. *Design of the case study*

The design of the study is simply explained by Yin (2007) as a logical plan to get from A to B. He also means that it is not just a description of the work that has to be done but also a guide to follow to not end up in the situation where the stated researching questions cannot be covered by the data collected. Yin (2007) argues that the design of a case study is a problematic stage of the research. There are several guidings that can be found in other strategies such as categorizing of people or their response as one can do in psychology or biology. The author also states that it has not been developed a generalized design that researchers can rely on.

Yin (2007) also points out the dangers with case studies as he exemplifies a case where the relations are studied in an organization. If the aim is to study the relations to other firms the researcher cannot only focus on the one firm in question as he or she also will need to collect data from the organizations in the other end of the relation. As we have not had the possibility to reach the Chinese companies we have designed our research to focus on what the Swedish companies have experienced and how they have reacted. This is done in order to not fall in the trap described by Yin (2007) when only looking at one side of the relation.

Yi (2007) also says that the researcher should be open to different kinds of case studies. It is possible to divide the different types into a four-field matrix. He divides the matrix in *single case* and *multiple case studies* and studies where one or several units are analyzed.

For this thesis we have chosen to apply the case study where one single case is studied in its context but where we have turned to several units in this case companies and employees responsible for the Chinese market such as Sales managers. We have done this to get more than just one company’s point of view and to be able to present a project with more than just one dimension. In addition to that also be able to, as mentioned above, indentify a pattern of common experiences.
We have also complemented these interviews by interviewing two persons that are working as links in between the companies to get a more overall view of the problems occurred. The two persons are representatives from the Swedish Chamber of Commerce and The regional council of southern Småland and in the Kalmar Province. They are working closely with the Swedish and Chinese relationship and are both stationed in Shanghai, China.

3.5. Selection of case companies

The selection or sampling methods for qualitative studies are significantly fewer than those for quantitative studies, but to add more credibility to the work it is important to mention how and why the respondents are chosen (Trost, 2012). Bryman (1997) discusses convenience sampling and describes it as a convenient way to collect data. By convenience sampling he means choosing companies or respondents, for example in the city where the researcher lives. This is necessarily not as time consuming or expensive as for example searching for a perfect match of opinions. Stein and Wright (2005) discuss another sampling method, Snowball sampling. They argue it is a sampling process where the sample is based on few contacts who build a chain through their network as the researcher is referred forward to other potential respondents.

The selections we have made in this thesis are based on a non-random sample technique as we searched for companies and employees that have great experience from the business life in China. More specifically, we have studied companies in the nearby area as we found companies that offered the knowledge we wanted, therefore we have used the convenience sample method for most of our companies. Two of the companies were chosen due to snowball sampling, as we were advised by our interviewees to contact certain persons. We gratefully accepted any chance to reach out to new connections as it makes it a more thorough research and it will in our eyes make the work more credible.

Our thesis’ empirical data is as mentioned earlier, collected through interviews with persons with relevant positions in companies that have been doing business in, or are established in China. The criteria that we based the selection of companies on were
basically Swedish companies that have been on the Chinese market for some time which increases the risk for situations where the differences in the culture have impacted the work or the relation between the companies. We did not look for any certain size of companies as we believe that the cultural differences lies deeply packaged in the society. We also think what the representatives have experienced is not different to others because of the size of the company.

3.5.1. Carrab Brake Parts

Carrab Brake Parts is a company belonging to the car industry, more specifically to the spare part segment. The company was established in 2002 and has been involved in business in the Chinese market for nine years. Of their total sales Carrab Brake Parts export as much as 98% but they are in China solely for importing parts that are later assembled in their facilities in Kalmar.

The person who represents the company in our research is Managing director Mats Laveborn. Laveborn has been in the organization for over two years. He is highly involved in the international process of Carrabb Brake Parts where China has been an important market, where the company looks to expand.

3.5.2. NORDEN Machinery

NORDEN Machinery (NORDEN) is a producer of Tube filling machine and in their industry they are the market leader, worldwide. The company is owned by the Coesia Group which is an Italian conglomerate. NORDEN is a medium sized company with the head quarters in Kalmar, Sweden. The company has been in the industry of tube filling machines since 1934 but has been working under a range of names and owners. NORDEN has present on the international market since the middle of the 20th century but established a sales office in Suzhou and Guangzhou, China in 2005. Around 95 per cent of the total sales are exported and China has developed to be a lucrative market.
The person interviewed from NORDEN was Hector Voicu who is the Sales Manager responsible for the Chinese market among others. Hector has been working internationally for a long time and before he was hired by NORDEN in 2009 he had been working for other internationally strong companies such as MOTOMAN and Läckeby Water Group in similar positions as the one he has now.

3.5.3. **Regional Council of The Kalmar Province and Southern Småland**

Wang Zhi, referred to as Wangzhi, is the office manager of the Shanghai office of the Regional Council of Southern Småland and the Kalmar Province. Wangzhi is working as a link between the Swedish and the Chinese side. The main purpose of his position is to promote and try to establish positive relations and co-operations between Chinese and Swedish companies. Wangzhi is born in China but has been living in Sweden for many years. He speaks both languages and has been able to get a good insight in both cultures and as he is working with the cultures on a daily basis. We are confident that his views and experiences add more credibility to our project.

3.5.4. **Swedish Chamber of Commerce**

Alexander de Freitas is a young Swedish former business student who has accepted and almost completed his internship at the Swedish Chamber of Commerce in Shanghai. He has been studying Chinese and now been living in China for a few years. His work aims at finding new and developing business for the chamber as well as planning and executing events. Before de Freitas accepted the job at the Chamber of Commerce he worked with his own business in China among other things. The information collected from de Freitas is valuable for us as he works alongside companies and is able to see the different reactions and the relationship of the businessmen and women he is working with.

3.5.5. **Swedpac Pro Green**

The plastic industry is where Swedpac Pro Green is present and they have formerly been a supplier for Ericsson and Nokia. However those days have changed and the company
started producing plastic containers for fast food restaurants, bakeries and food stuff. During the recent years one of the biggest customers has been 7eleven.

Swedpac Pro Green has been in the Chinese market for over ten years which have given them experience from various situations. We met Daniel Hedebäck who is copartner of the firm and who has been closely in touch with the Chinese market through many visits and regular contacts on the phone.

3.5.6.  

**Xylem Water Solutions**

Xylem Water Solutions is a company producing Water pumps and other solutions for different kinds of water related missions. The company is established in Emmaboda outside Kalmar, Sweden. The story started already in 1901 with one single smith and has since then passed through various shapes of ownership and management. The company is working with many different solutions for their customers. It can be waste water solutions, pumps to keep harbors not from freezing during the winters or to be able to get the groundwater out of mines. Xylem started in 1993 a joint venture with a Chinese company called JinBei Pump Company and in 1995 the Chinese division of the company was up and running.

When we visited Xylem we met Lars-Gunnar Franzén. From the start of the Chinese project in 1993 when the joint venture was established until 2005 Franzén worked closely with the Chinese side of the company. Today he is Senior Strategic Buyer in the organization and still keeps close contact with the Chinese factory and the market. He says himself that he is in China at least twice a year and since 1993 he has been in the country over 50 times. Therefore we thought Franzén was a perfect match for our research.

3.5.7.  

**Yaskawa Electric Corporation**

Yaskawa Electric Corporation is a Japanese company that provides electronic solutions. The total number of employees exceeds 13,500. The European unit Yaskawa Europe GmbH has its head quarter in Germany and five production sites around the continent. The
European unit is focused to manufacture and offer robotic solutions to companies around the world. One of them is located in Torsås, Sweden. The Swedish division was acquired in the late 90’s as the company Motoman was bought. Motoman however was and still is kept as a brand for their famous robots.

Yaskawa has production sites also in China. The Nordic division and its Chinese alike have regular contacts and therefore we tried to reach the Sales and Marketing Director Johnny Jarhall as we received an advice from one of our other interviewees about his experience. Jarhall has been in the organization since 1988 and have had the current position at Yaskawa since 2004. His Chinese experience started years ago and he has now been in china over ten times.

3.6. Data collection

Eriksson and Wiedersheim-Paul (2011) state the difference between primary data and secondary data is the method of collection of data. Primary data is information collected by the researcher for his own project whilst secondary data is information collected by someone else but that can be used for the research. Primary data has according to Merriam (2009) a higher level of trustworthiness compared to secondary data as it is collected directly from the source.

Primary data can be collected in various ways, observations and interviews are seen as the most common (Merriam, 2009, Yin, 2013). Merriam (2009) argues that the person-to-person interviews, where the researcher and the respondent engage in a conversation to exchange information, are very common and represented in almost every qualitative research. Yin (2007) is on the same track and means that the interview is one of the most important sources of information for case studies.

This particular study’s foundation lies in the interviews made with the different companies. Cultural differences impacts or effects persons individually and culture is perceived differently from person to person. To interview employees about their experiences and
opinions about the culture gives the respondents time and space to explain what they think. It also gives us as researchers the possibility to follow up their answers with questions to clarify or dig deeper into what they said. For this project we have interviewed several persons in positions that have led them to experience the business culture in China.

We aimed for individuals that have been working in or with Chinese relations for years as we believe we would receive better answers if the persons in question have had time to experience and also adapt to the differences. The interviews stands for the primary data of the research, complementary secondary data have been used. The secondary data is mainly collected from the companies’ web pages to either clarify or strengthen other statements.

3.7. Operationalization

Through the literature read and the theories presented we have gained knowledge about the cultural differences as they are described by researchers. However the terms and language of these studies might not be the ones used in the everyday business life. To be able to have an ongoing discussion during our interviews, we have translated the terms and concepts into questions that do not need any explanation. As we have interpreted the literature, the concept of culture and relations are tightly connected, or one can say that the relationship aspect is a smaller part under the umbrella of culture. When formulating the questions we discovered that many of the questions about the two areas were to a high extent similar to each other. Hence, we chose not to ask repetitive questions, as we wanted to keep the interviews interesting for both parts with a dialogical discussion. The questions and interviews were designed to follow the flow of the model as presented in the theoretical summary, they were also written to focus on the two areas Business cultural differences and Relationships in China. The questions will give us a foundation for the discussion about, and knowledge of, the adaptations made by the companies.

Starting out in the business cultural differences we designed questions seeking the respondent’s thoughts on the business culture in Sweden in relation to China. Furthermore the questions handled the aspects of cultural differences such as the process before an agreement has been reached, the perception of time and the reliance on contracts or
relations. The differences in the cultures were also researched when questions about the manner of discussing and talking to each other were brought up. In the discussion of emotional expressions we asked how negotiations were held, seen to how people from the different cultures acted and expressed themselves. The concept of losing face was explained in other words in our questions, however, the term and definition was known and mentioned by all respondents in the discussion.

According to the literature there is a strong belief in relations in the Chinese culture, as it is the basis of the society. Our ambition was to research to what extent the Swedish companies were aware of the importance and how they behave regarding establishment of new, or maintaining old relations. For this part the questions were designed to inspect the investments in the relations, focusing on time and money. Guanxi is a central concept in the culture of relations in China. We have heard Swedish voices simplifying the term Guanxi as only social ties, as it is what it actually means. However, there is an underlying understanding in China about its true meaning which can be difficult for Swedish companies to embrace. Therefore we have divided the term into different questions which together put emphasis on the larger phenomenon of Guanxi. The different questions covered areas such as trust, commitment, gifts, bribes and what it has meant for the companies to be working in a country that is so connected to a system which sometimes crosses the border to what is illegal.

3.8. Implementation of the Interviews

The interviews were set up in conference rooms except from one interview that had to be done by mail due to a busy schedule for the interviewee. We wanted to do the interviews in person to be able to take in the body language and the face expressions. The interviews started with the authors presenting the thesis and the main ideas with it. We also explained what we were aiming for with the interview and then let the respondent quickly answer to what the first cultural difference is that comes into mind when asked the question. We asked this question because we believe that the first in mind can reflect significant differences of the cultures. After this we proceeded and went deeper into our questions.
Interviews can be conducted in various ways both when talking about the physical way as in one person or groups or the way they are structured (Yin, 2007, Merriam, 2009, Andersson, 1985). The interviews for this project have been single person interviews and we have kept the flow of the interviews semi structured or somewhere in the middle of low and high structured interviews. In a highly structured interview the respondent gets very little space to develop an answer while in a low structure interview the answers can be composed very freely (Patel & Davidson, 2011). The semi structured interview is a style where the researchers before the interview have decided upon what topics should be discussed with the respondent, but where the questions are asked in an open way which leads to further discussion (Andersson, 1985). Andersson (1985) also means that semi structure or low structure put responsibility on the person who asks the questions as there are certain information that is desired.

We were aware of the risk with the structures but felt confident enough to proceed this way as we believe that more information is gathered through a discussion compared to straight aimed questions. The questions for each interview have not been the exact same, they have been similar but modified due to position of the person asked or something that have come up from earlier interviews. But we have been using the same framework of questions to decrease the problems with widely spread answers which would be hard to relate to each other. As we have gathered the information similarly and have touched upon the same topics for every interview. This was our intention to make the analyzing work more accurate. The topics and questions are not only asked to listen to experiences but also to see how the respondents answer to statements found in literature or from earlier interviews. What also brought the structure level down was the following questions that were asked based on the answers that we received.

3.9. Method of Analysis

When the interviews are conducted and the transcription is completed, the processing phase is started. This procedure is by Rennstam and Wästerfors (2012) divided into three parts; sorting, reducing and arguing. Sorting the data means that the researcher creates an order
in the data and gets a grasp of the whole content. Reducing is focused on highlighting the important parts both of the interviews by reducing irrelevant data. The arguing is the final touch, the conclusion where the empirical finding is connected to the theoretical framework to be strengthened but even to show weaknesses. There are several ways for a researcher to analyze data. One can for example use content analysis or interpretation (Kvale & Brinkman, 2009, Merriam 2009). The theoretical interpretation analysis is initiated in the way that the researcher reflects on different theoretical topics as the reading through the interviews is going on (Kvale & Brinkman, 2009). Kvale and Brinkman (2009) also argue that there is perhaps no need of advanced analysis tools to enrich the interview answers if the researcher has enough theoretical knowledge and during the interview asks questions that are theoretically well thought through.

This opens for the theoretical interpretation as an analysis method as is chosen for this thesis analysis. We have through our deductive approach gathered knowledge about the subject in focus and developed questions out of our theoretical synthesis. As the thesis is based in a deductive approach the topics were already established in the interview which helped us during the processing. Most of our interviews were recorded which gave us the possibility to listen to them again and listen to the tone of the voice. Besides that notes were taken during the interviews about the content as well as certain expressions that we found interesting. The interviews, the recordings and our notes from the interviews have been the basis for our empirical data. As we have been three authors it has been a good discussion of the content of the interviews. The interviews were transcribed and read through and as we read the collected data we could see patterns in the arguments that suited the theoretical framework and together they built up a pattern where we could see differences in the cultures.

3.10. Research quality
It is vital for the research to be trustworthy and to create a feeling of trust towards the text for the reader. Trost (2010) claims the qualitative research cannot be measured in the same way as quantitative research but that the researcher can work in different ways to increase
the credibility. Bryman and Bell (2011) mean transparency and triangulation is examples of these. The fundamental concepts are according to Merriam (1994) the validity and reliability.

3.10.1. Validity

The validity stands for the credibility of the research. Two main types of validity are presented in research and these are internal and external validity (Yin, 2007, Merriam, 1994). The internal validity can be explained as how equivalent the researcher’s conclusions are in relation to the reality (Merriam, 1994). Meaning how relevant the study really is to the real world. Merriam (1994) discusses the phenomenon of reality. Is there only one reality and what is it the researcher really is studying? She further claims the reality in qualitative studies is personal and subjective interpretations of the reality. What the researcher is studying is the reality that the interviewees have experience from. Trost (2010) is on the same page and claims that the researcher is interested in acquiring knowledge that the interviewed person has and his or her views of what the reality is. For us, for this project that has meant that we are interested in what the persons asked interpret as cultural differences. We have collected and studied data from various authors to be able to build up an understanding for what “cultural differences” really is according to the literature.

The external validity refers according to Yin (2007) to what extent the study is able to be generalized to additional areas but the specific case studied. This is where the case studies receive much of its criticism as the ability to generalize is fragile due to the fact that often only one case is studied or with few analytical units (Yin, 2007). This criticism comes often from individuals comparing case studies to studies based on surveys which according to Yin (2007) are somewhat inaccurate. He means that survey studies are based on statistical generalizations meanwhile case studies aim to generalize on an analytical level.

In this thesis we are not searching to generalize all Swedish companies that are doing business in China but we aim to define our results and generalize them towards existing
theories. We have been consulted and guided towards fundamental and profound literature in the area of cultural differences by our supervisors which we believe have helped us to increase the validity of the study.

### 3.10.2. Reliability

Reliability is another concept that determines the trustworthiness of the research. The vital aspect of this term is how the result would turn out if the study was to be done again (Yin, 2007, Merriam, 1994). The question one could ask is: Would the same result be achieved if the research was done again, at a different time but with the same circumstances? Trost (2010) means that reliability is mainly focused on quantitative studies where the procedures are standardized and that it is complicated for the qualitative researcher to assess the trustworthiness of the interviewees. He further explains that researchers using qualitative interviews really have to be aware of the reactions of its interviewee and not only focus on the words but also the face expressions and body language. Trost (2010) argues these are things that can affect the credibility and reliability of the answers and therefore also the result of the research. The aspect mentioned by Trost (2010) were something that we had in mind before the study and therefore were our intentions to personally meet the respondents in the natural environment.
4. Empirical findings

The Empirical chapter is presented in the shape of our primary data that is collected from our examination persons: Lars-Gunnar Franzén, Alexander de Freitas, Daniel Hedefbäck, Johnny Jarhall, Mats Laveborn, Hector Voicu and Wang Zhi. We have described the Empirical chapter with similar headings as the Theoretical framework.

4.1. Business cultural differences

“I think the cultural difference is the biggest challenge for Swedish companies doing business in China.”
- Wangzhi

4.1.1. Time orientation of Chinese

When it comes to culture differences between Sweden and China in order to do business, Voicu (2013) brings up that Chinese businessmen are very fast with getting started with business and they want to have the offer in a quick manner. Wangzhi (2013) also states that Chinese firms are much faster when it comes to the decision making due to their authoritarian reign. One of the biggest cultural differences between Swedish businessmen and Chinese businessmen according to de Freitas (2013) is that Chinese employees are lacking in taking their own responsibilities and initiatives. He explains that the employees in Chinese companies are to a higher degree micro managed.

Voicu (2013) says that the way to behave is largely different between Chinese and Swedish business people. Firstly you can see who is the boss then he always sits in the middle and there are always a lot of people that all shall talk at the same time. Voicu keeps telling that you more or less have to speak up if you are going to get their attention. Franzén (2013) mentions that Chinese business people act differently from Swedish e.g. in a meeting where it can be like a “chicken run” where everybody talks at the same time. Regarding the
negotiations with Chinese business people, Hedebäck (2013) tells that it can be really tricky and hard to speak up, as they also are so many and all conversing at the same time.

Franzén (2013) says that the Chinese business people are very time optimistic. He says that Chinese businessmen would not start to discuss business until a couple of days later. When they were visiting a customer in China, Franzén (2013) tells that they did not have the time to have lunch or dinner with them because of their tight schedule and he says that he noticed that it was not good to act so stressed in front of the Chinese hosts. Laveborn (2013) holds a similar opinion and says it is stressful when you visit them. It feels like they do not take the time issue into consideration. He mentions that Chinese businessmen always prefer to eat dinner with the partner before they talk about business one day after. Wangzhi (2013) mentions that it can be difficult for Swedish firms to plan their business with Chinese firms as the Chinese parties never plan. He says it can take a long time and before the business is ready, however when decisions are made they happen abruptly. Voicu (2013) says that it can take some time from getting the contract, though they may have agreed on the price, before it comes to signing the contract.

4.1.2. Confusing promise

Voicu (2013) mentions that the negotiation phase can be perceived as being different, he means that in china you can generally never expect to agree in the first meeting. An example he brings up is when they have offered the Chinese firm 5 percent in discount in the first meeting but then in the second meeting the Chinese wanted to have 10 percent. Laveborn (2013) has also mentioned that it can take some time with the negotiation process because the Chinese businessmen always wants to renegotiate even if there is something that already is decided. Jarhall (2013) refers the first thing about cultural differences that comes to his mind to the view of negotiation styles and costs. All companies want to reduce costs but Jarhall (2013) means that Swedish companies are not as extreme as their Chinese colleagues.
To support his point he brings up an example from the past that Yaskawa and another company in China had agreed on a multi million deal. Everything that was left but the signatures when an additional cost of 30 000 SEK occurs which the Chinese members of both companies calculated in every possible way for quite some time. The other company had a Scandinavian man responsible for the deal and he said to Jarhall (2013) that Yaskawa could pay two thirds and the other company covered the other third, just to close the deal. Jarhall said that the Chinese could not understand how they could agree on those terms. Jarhall (2013) thus thinks that as the negotiations take a lot of time he sometimes finds the way of Chinese business quite unreasonable. According to Wangzhi (2013) the way of looking at business in China differs to that in Sweden, as he says that Chinese firms strive more for profit while Swedish company basically seeks quality.

Laveborn (2013) tells that they have difficulties to follow the agreement regarding to delivery dates within the contract. According to him, a promise on delivery is not always realized by his Chinese counterparts. Laveborn (2013) means the Chinese actors believe that it is acceptable if they just send a part of the order first and then send the rest a little bit later, which is a problem for him and the firm. He would, however emphasize that in the recent years the Chinese actors has been better to accept what the contract says. Another thing that can be tough with a relationship with a Chinese businessman according to Laveborn (2013) is that they cannot say no to a question, which can jeopardize a relation if they cannot fulfill it but he also says that this is something you learn to see and handle and thus adapt. Hedeböck (2013) also claims that his experience of the Chinese business has shown him difficulties where things are said that you want to hear, but it does not necessarily mean it is true. Jarhall (2013) states the problem that when negotiating one does not get really straight answers. The Chinese do not like to tell you “No” and instead they tell you “Yes” but let it fade out through uncertain answers until it becomes a no.

When it comes to the contract, Franzén (2013) says that the Chinese view to the contract part is a bit different according to Franzén. He means that to feel confident that everything is in order, they would like to have a more western style at the contract with more
paragraphs while the Chinese actors more or less want to skip it. Hedebäck (2013) further tells that the view of contract in China differs to that of Swedish business so they really need to feel safe through the contract, as they would not stand a chance in a Chinese court. Meanwhile the Chinese want to rely more on the relationship they have established and feel trust within it. Voicu (2013) mentions that if you say anything you really need to make sure that they have understood it e.g. the forms of details in a contract, just make sure that this is how it is going to be done. Furthermore Laveborn (2013) says that the firm has done some changes in their contracts so that the cooperation shall work better for both parts. In this way they are now clearly able to see the guidelines in the contract so that it will not be possible to be any misunderstanding.

4.2. Business relations in China

Voicu (2013) mentions in order to do business in China it is more about establishing a good relationship first, and if everything is all right they proceed with the business. He further says that they attach great importance to business dinners where the plan is to get to know each other. Voicu (2013) further explains that the business dinners where you more or less evaluate if there is going to be a friendship or not is different to how you do in Sweden, you have to be prepared to eat everything they are serving you and there will only be talk about private life so they get to know you and this is good for the relationships to handle. Laveborn (2013) mentions that Chinese businessmen always prefer to eat dinner with the partner and then e.g. the day after talk business. Franzén (2013) also confirms this and means that they establish a relationship in the first days during dinners and so on. He further says that it is important to manage the relationships with Chinese business people as they see it as very vital.

Wangzhi (2013) states that the tradition of eating dinner before business really is vital in China. He also tells that if someone denies this it will be difficult to build up a relationship in that case. Hedebäck (2013) goes a little bit further in this case and says that when you meet customers at fairs in Sweden you do it on professional grounds and when you go out for a dinner but it ends there. In China they would not start the business before you go out
with them a couple of times and drink a lot of alcohol. Jarhall (2013) adds that to establish relations it is important to have a good start. Wangzhi (2013) further states that if you have managed to establish a relationship it is vital that you e.g. arrange dinners and continue to develop the relation. This is something de Freitas (2013) agrees with and he states that it is really important for Swedish companies to actively manage its relationships in China. He means that Chinese sales and purchasing personnel are driven by personal contacts, especially in smaller organizations. He continues to stress the importance of keeping track of and maintaining the relations.

4.2.1. Establish Personal relations in business

“When it comes to personal feelings, I believe it has a vital significance and that the customer wouldn’t do any business with an actor they don’t have confidence for”

- Voicu

Franzén (2013) has also mentioned that it is important in a successful relationship that both parties have to be good friends, to be so called “iron brothers” in China. When you are going to establish business relationships with Chinese firms, Wangzhi (2013) argues that personal relations are crucial to a successful business but he also mentions that it is vital that the relationships are established with a person with high status so that person are able to make the decisions that is necessary. He also mentions that it may be an advantage if the manager of a Swedish firm observes and maintains the business in china but he also says that the Chinese firms have becoming more international and do not require it that much.

Voicu (2013) argues that it is vital to establish personal relations with people that are able to make decisions. It is important to gain theirs trust and if you cannot handle it, you will not get a deal. Jarhall (2013) puts importance in taking part in dinners, eating what is offered and that the company should send a person on an adequate position compared to the Chinese host. Jarhall (2013) further stresses that it is much easier to conduct business and have a flow of business if you have a personal relationship with the Chinese counterpart or
if you have any kind of social bond. Hedebäck (2013) says that he is much aware of the importance of a good relationship. He tells further that they once tried to do business with a Chinese company, which they had better quality and price than their competitor but thanks to the relationship the other firm had with the customer they got the deal.

Laveborn (2013) explains that the meeting with people is very important in China and that it is much better if you talk face to face with them instead of using phone or mail. Laveborn (2013) also adds that to build a good relation in China you need to build a good personal relationship with your Chinese counterparts in the country and he further tells that he usually meets the owners personally and just talks. When it comes to personal relationship with Chinese customers, Hedebäck (2013) says that they have perceived it as very important for their business. He also emphasizes that it is vital to establish it with all authorities then it simplify their business if they wants something done in China. Franzén states that they even have contact with the municipal government in Shanghai where his company has its factory. He considers such contact with the local government as helpful to business. Franzén (2013) claims that to create a new relationship and establish trust takes time which forcing firms to invest long time when visiting. Jarhall (2013) argues that it is important to do as much as possible to maintain a relation, more important in China than in Sweden. Wangzhi (2013) developing this and states that the Chinese business people rarely is making business if the relationship not works out and if the relation not exist anymore, there will not be any prerequisites longer.

Franzén (2013) tells that they are well aware about how important it is for the Chinese business people to have a good amount of time when meeting them due to their view on dinners and time. He mentions that this is handled so that they always travel one day previous so they have time for everything to do with their Chinese partners. Franzén (2013) also says that they often try to stay one extra day if they have a new guy in their team so he will be able to build up experience. Laveborn (2013) agrees with this statement and says that to keep a strong relationship with his counterparts in China, he travels to visit them four to five times a year so can he easier discuss things face to face. Voicu (2013) takes this
a bit further and mean that when you manage relationships in China, you have to take loyalty into considerations by saying that it is really important to listen when the customer.

4.3. Adaptation to business culture in China

“The most vital when managing the culture and relationships in China is to be open minded and flexible so you are able to adapt easy”

- Voicu

4.3.1. Sales office

Wangzhi (2013) explains that it is really important for Swedish firms to be able to compromise and customizing their business he says that he experiences that Swedish firms perceive the Chinese as unplanned but that the Chinese people see this as positive because they see themselves as very flexible and do not have to adapt all the time. He tells that it is many firms from Sweden that are interested in the Chinese market but refuse to adapt their business as they are afraid that Chinese firms shall copy their products. Wangzhi (2013) also mentions Swedish firms that have succeeded in China and explains that they have been able to establish a middle ground where they mixed the Swedish strategy, which means human-friendly, clean and security with Chinese style as appropriate to their culture with e.g. dinners and their view of the bonus system.

Franzén (2013) is telling that it is much easier for them to establish and handle difficulties in relationships through their permanent presence with factories and sales office in China. He tells further that through their factory and staff in Shanghai it is easier to manage different difficulties within the contract that have occurred as they have Chinese influence there. He also means that through established sale forces in Shanghai they have in an easier way been able to create new relationships. Hedebäck (2013) tells that they have had a great advantage by their joint venture when the Chinese company can take care of most of the negotiations. He means that one of the reasons for them to establish this joint venture was it was going to simplify for them in the Chinese market.
Hedebäck (2013) also tells that they have hired a person who is very familiar with the Chinese system to make it much simpler to deal with the cultural differences that exists in China. Voicu (2013) explains that they have established sales office in China with Chinese sales men this in order to establish relationships easier and to reach the market better. Jarhall (2013) says that they have a Chinese division of the company that handles most of the Chinese contacts. This has helped a lot and was a way to adapt to differences in the countries. However he means that when the Swedish opinion or expertise is needed the business can often run somewhat smoothly due to the increasing level of ability in English in China. Laveborn (2013) concurs with this and says that to simplify several things, he argues that they are planning on a joint venture in China.

4.3.2. Lose Face

Regarding the emotions and feelings, Voicu (2013) is telling that Chinese business people may be perceived as sensitive and especially concerning the expression “losing face” where you shall not put them in a position where they cannot answer your questions. In this sense, Franzén has emphasized the importance of not put them in a corner otherwise they can “lose face” and be offended. Hedebäck (2013) describes “losing face” as one of the first things he learned about doing business in China.

According to Jarhall (2013) the “tougher calls”, the ones where you have to call and deliver bad news for example, are easier in Sweden. It is easier to explain and the Swedish person who is responsible will not risk losing his face as he would in China. But he also says that it is not as important in China compared to other countries in Asia, such as Japan. Wangzhi (2013) admits that when it comes to the concept of losing face, the Swedish firms have established themselves in the Chinese market to understand it, but that it varies how they are handling it. Franzén (2013) mentions that they really try to avoid is to cause a Chinese businessman to lose his face, he means that this can jeopardize the relationship and if you instead say it in a good way it can come back to you in a good way.
Voicu (2013) mentions he is very careful so he does not get anyone to lose face, e.g. to formulate a question differently so he does not offend anyone, which can be a risk for the relation. To not jeopardize the relationship, Laveborn (2013) says that you really need to carefully consider how you tell things to Chinese businessmen, it is important and you really need adapt to this so they don’t lose its face. Hedebäck (2013) says that the first thing he learned was about concept of “lose face” and that it has been important knowledge as it is so vital to respect it in the Chinese culture and that you need to manage this in a good way.

4.3.3. Learning

Wangzhi (2013) states that the greatest challenge for Swedish firms to do business in China is the cultural differences that exist and he mean that things from how you gives your business card to how you perceive their dinner traditions is vital factors that determine how a business relationship is going to be developed. Also regarding the relations Jarhall (2013) claims there are differences that one needs to be aware of. He says that it is important to study the manner in the country to where one is going. He says also that many are trying to read about it but many also are just going there and expect to act the same way as in Sweden. Small errors in the behavior will probably not jeopardize a relation to a client but it is definitely easier to establish and maintain the relations if the Chinese host can see that you have put in effort to learn phrases, table manner, way of dressing. These things depend of course on who you meet.

Voicu (2013) is on the same line and is telling that small things can help to create a good relationship. Some research about the culture or a few phrases would be seen as positive in the Chinese eyes. Franzén (2013) also mentions that it is very good to know about the culture and just to know some phrases when establishing a relationship. Laveborn (2013) emphasizes as well that it is very positive to learn about the culture before and possibly some phrases when you establish a relationship in China. Hedebäck (2013) also argues that by knowing a bit of the Chinese culture and just knowing a few phrases would have a positive impact when you establish a relation in China.
The largest difficulty for the Swedish companies concerning the relationship management in de Freita’s (2013) words is to embrace the power of personal networks while at the same time guarding yourself against the reliance on these networks. As the culture is rooted in Guanxi the reliance on the networks is strong. De Freitas (2013) says when Swedish companies are doing business in China they need to think carefully of their counterpart. He underlines the social connections of the Chinese companies and the importance of the network. “Two companies that might not seem connected could be connected through personal channels instead”, he says. The cultural differences could be seen as negative from the Swedish side according to de Freitas (2013) due to the complications to understand doing business in the Chinese market. It requires further research which could increase the costs and take a lot of time.

4.3.4. Language issue
Language is one of the barriers doing business in China according to the respondents. Laveborn (2013) mentions the biggest problem to do business in China is when he shall discuss business with counterparts who are not able to speak English. He tells that you cannot be sure that the information you give to the interpreters is the same as what they later tell to your counterpart, because the interpreters are likely to avoid the harsh part when interpreting to show respect to the Chinese chef. Hedebäck (2013) also mentions that the language can be a tough barrier for them when establishing relations with their counterpart. He means that most of their counterparts are not able to speak English, which forces them to turn to an interpreter or let their Chinese business partners to deal with it. However he admits that these are problems which are easier to get around than the biggest obstacle which is the barrier of the languages. Jarhall (2013) says that it has become much easier these days as he means the level of English is significantly higher now compared to a decade ago. Earlier Jarhall (2013) and his colleagues had to bring translators to every meeting.
5. Analysis

In the following chapter the theories will be connected to the empirical findings. This will culminate into a discussion whether Swedish companies sense cultural differences and how they adapt to manage relationships with the Chinese actors from it.

5.1. Business cultural differences

In this part we are going to analyze the main cultural differences that the Swedish businessmen have experienced when they are doing business in China.

5.1.1. Time orientation of Chinese

When it comes to the time concept, Marx (1999) mentions that companies from the western culture often has a planned and tight time schedules and everything is based on a straight line while companies from the Chinese culture valuing flexibility higher and the focus on being on time is less important. Tromepenaars and Hampden-Turner (2012) confirm this statement and explain that a universalist businessman have to invest a lot of time when visiting a person from a particularist culture they even mean that they can be suspicious when other business people are hurried.

Nearly all of the respondents confirm this and say that the Chinese actors are very time-optimistic and that they need to invest a lot of time when visiting them. Franzén (2013) says that the company always tries to plan the trips with one or two extra days to be able to make the most of the time when they are on site in China. This is an adaptation they have made due to problems during earlier visits because of the difference in perception of time. They have been on a tight schedule and they could sense that the Chinese were not comfortable with the stressed business partners. Another man who has experienced this in China is Hedebäck (2013), he says that the Chinese are sometimes working slowly and it is frustrating as it is hard to manage the business. Laveborn (2013) means that there seems to
be underlying time optimism among businessmen in China and that it is stressful as they do not seem to take different time frames into consideration when visiting them.

However, there have been other experiences as Voicu (2013) claims that the Chinese businessmen he has met have been quick to get to the point of business, as soon as a bond is established. He is somewhat backed up by statements of Wangzhi (2013) who says that the reliance on hierarchy in China opens for fast decisions compared to Swedish companies who seek consensus in many aspects. De Freitas (2013) means the high hierarchy can be the problem of the slow flowing business in China as the employees do not take own initiatives.

As we as researchers have perceived it, the bigger part of the group of interviewees have experienced problems connected to the difference in managing time. We have interpreted the words of the interviewees as it could be frustrating for the Swedish companies that go to China since their time in the country cost a lot of money and they really want to make the most out of the business trip. Therefore they arrive to China with a busy schedule that is nearly planned hourly. If they then are held up by unreasonable negotiations or discussions as mentioned by Jarhall (2013), the schedule will be delayed. Other voices have been raised about the time as it is not affecting the business but it is not appropriate to turn down invitations for dinners for example. This could make the Chinese side suspicious about the intentions of the Swedish company and make them wonder why the Swedish will not take part in the informal meetings.

We consider that the particularist culture has been reflected on the Chinese parties as mentioned in the empirical data while the universalist culture has been reflected on the Swedish actors. As stated by the interviewees, the Chinese businessmen are mostly time optimistic as they lack a time schedule to conduct business activities. On the contrary, the Swedish businessmen bear in mind the thought that time is precious. They are careful with how to divide time so as to maximize the efficiency of business. When they do business with their Chinese partners they expect that all the time would be spent on going through
the relevant issues in business. We can see that there is a clear line between work and spare
time from the Swedish businessmen’s perspective.

The two different views of time issue have encountered each other when Swedish
businessmen are doing business in China. Both parties cannot understand the counterpart’s
view when it comes to the matter of time, which can result in a consequence that there is
not an agreement that could please the both parties with the arrangement of business
negotiation. Furthermore, without a mutual understanding of each other on the specific
issue it is unlikely that the Swedish businessmen can make adjustments according to the
time orientation of Chinese as they consider the investment of extra time is unnecessary.
However, the time optimistic aspect of Chinese doesn’t contradict their efficiency over all.
According to the empirical data, Chinese are quick as long as they have got down to the
business. Their time optimism might be based on the confidence of their efficiency, as they
are also seen as quick with decision making. In this sense, we can say that the flexibility of
Chinese can also be related to their time optimistic aspect as they don’t have any fixed
schedule. Hence the Swedish actors might be perceived by the Chinese actors as lacking
flexibility and slow with the actual procedure of work as the Swedish businessmen have to
strictly stick to the schedule.

In this case we can see that the empirical data match the theory very well as all the
respondents brought up the time issue concerning the Chinese counterparts. We could also
confirm that plenty of the persons we interviewed had done some sort of adaptation to the
time issue so they could please the Chinese companies. By acting like this we can also
corroborate that the theory match how Swedish companies behave to a certain situation in
order to handle the cultural differences.
5.1.2. Confusing promise

According to Trompenaars and Hampden-Turner (2012) is it vital for universalistic business people to declare significance of the contract and what it stands for while particularistic business people want it more open and emphasize that the relationship stands for the trust between the actors.

The people we have interviewed agree to this. Voicu (2013) is telling that you can never trust that a contract is completed after the first meeting with Chinese businessmen. He means that they always want to renegotiate even if the contract more or less is finished and this is something that is also mentioned by Laveborn (2013). Franzén (2013) says that Xylem always strive for a more western style at the contract with plenty of paragraphs in order to feel confident but that the Chinese actors more or less want to skip it. This is something Hedebäck (2013) also emphasizes due to the fact that they would have it really tough in a Chinese court.

We can interpret it as that the Swedish firms are well aware of the differences that lie within the contract part. We can also understand that this part is very important for the Swedish firms, as even if the relationship with Chinese counterparts are known for being strong, the firm wouldn’t stand a chance if something would be wrong and they had to go to court. Due to this we believe that this can be a contributing factor why most of the Chinese actors want a softer contract. Differences have shown in different situations but often connected to the negotiation of a contract where the business cultures meet on different levels. The Swedish actors want to have the deal secured by many paragraphs and signings before bonding and building a relation with the foundation of business. The Chinese on the other hand relies more on trust and business is often started in the relationship and as a first belief in the business partners has been established, business can move on. We can thus draw the conclusion out of the empirical data, which Swedish companies are very strict concerning the contract while doing business with Chinese companies, due to this we can also authenticate that the theory match in how this cultural difference still remains vital.
5.2. Building business relations in China

In the following text we are going to present the analysis on the importance of relationship in and also analyze the personal aspect of the Chinese relationship Guanxi that was reflected on the practice of doing business in China.

5.2.1. Importance of Relationships in doing business in China

Diffuse and specific cultures are two other aspects that Trompenaars and Hampden-Turner (2012) bring up. They mean that a large difference between these is how to establish the relationship. They further tell that a diffuse culture strive to establish a relationship and trust within it and then after focus on the business. Further Trompenaars and Hampden-Turner (2012) explain that a specific culture aims to get straight to the business and if it develops, well a relationship may establish. Samovar et al. (2009) emphasize the importance of relationships in the Chinese society and they claim that relationships are the basis of the society. Also Ambler and Witzel (2000) argue that relationships are the way how business in China can be done. They argue that relationships can serve as a kind of commercial guarantee. Gao et al. (2010) consider that Guanxi is related to a company’s profitability and competitiveness, which is seen as an advantage over other companies.

The findings of the relationship establishment in the literature are confirmed by each and every one of the respondents. Voicu (2013), as well as Jarhall (2013) and Wangzhi (2013), say that the connection with the counterpart is crucial and that almost every business meeting is set up after a dinner with the involved parties. The dinners seem to be an important forum for the Chinese side to sense a feeling and get a grip of the potential business partner. Hedebäck (2013) states that these dinners often tend to focus a bit on the alcohol and he means that the Chinese want to see you a bit loosen up and get to know you more personally. The focus on alcohol is not something that others mention as they mean one has to be able to represent the company in a professional manner. According to Hedebäck (2013) personal relationships is vital as his competitor once got the deal because of the better relationship they have with the customer. Franzén (2013) extends the concept
of spending time and says that they usually spend days with the Chinese before even starting to talk business, just to let the company’s representatives bond on a personal level. Seeing from Laveborn’s (2013) experience of business, it says that it is of importance to meet those businessmen from China and talk to them face to face. He would travel at several times to China every year to guarantee the contact with his Chinese partners. In Jarhall’s (2013) case, they have a division in China run by local employees who take care of contacts in the market.

The diffuse culture is a culture which many Swedes are unfamiliar with. The business relations established is for example often established to gain something and if the two companies do not benefit from the effort that they have put in, the relation will soon be ended. This also means that the relationships in Swedish business are to a much higher extent relying on the actual transactions. The meaning of the business dinner is also something that holds a difference in importance but this time it is more important in China. The actual meeting is of course important in Sweden as well. In China you can get to know the possible business partners, but as an incoming business representative it could be seen as more important to let the other company get to know you. The respondents mean that the Chinese are seizing the setting of the relation and understanding your intentions through your behavior.

With reference to the empirical data, we have also seen that all the businessmen we have interviewed are aware of the significance of relationships in doing business in China. They have all emphasized that it is crucial to build up a relationship with their counterparts though they have not had any direct knowledge on the concept Guanxi. The relationships that all the interviewees have established do not necessarily involve business issues. Instead the relationships mentioned are more seen as a necessary stage of doing business with Chinese partners. It would be considered as unlikely if the Swedish businessmen skipped the stage of building up business relationships when they want to have a successful business relationship with the Chinese partners. Meanwhile, all the respondents have focused on the function of relationships in smoothing interacting with business partners.
However, Hedebäck (2013) has experienced relationships in China further as an advantage when it comes to competitiveness in business though it is his competitor that has the advantage.

Having realized the importance of establishing relationships when doing business in China, not only have the Swedish businessmen not ignored the stage of relationships building in China, but also they have tried to adapt themselves to the Chinese business environment where relationships play an important role. As stated above, Franzén (2013) would add an extra part of his business trip to build up relationships with Chinese businessmen and also made the effort to keep in contact with Chinese actors. Also Jarhall (2013) states Yaskawa has local employees to maximize the possible time for contacts with Chinese companies. A Chinese division or an office of representatives is something that also Xylem and NORDEN Machinery have developed to stay as close to the market as possible. Laveborn (2013) says that Carrab Brake Parts is searching to establish a joint venture as an adaptation to extend the network and strengthen the presence of the firm. When relationship building is considered as an input then we can see all the Swedish actors have invested time and resources so as to make adaption to the Chinese business culture and environment.

5.2.2. *Establish Personal relations in business*

According to Trompenaars and Hampden-Turner (2012) people from neutral cultures do not share their feelings while people from affective cultures are considered to be opposite. They claim that the difference between the two cultures could result in problems when people from the different cultures communicate with each other. They point out that western society, with a neutral culture background, communication used to be done with paper while in Asia where affective culture is reflected, people tend to focus on relationship-focus and affective business. Thus people from a neutral culture can be seen as ice-cold while people from affective culture can be seen as out of control and inconsistent (Trompenaars & Hampden-Turner 2012).
Ambler and Witzel (2000) claim that in the Guanxi context individual is a relational being while Gao et al. (2012) argue Guanxi has a special and particularistic nature. They claim that compared to relationships in the West Guanxi is more personal. Interfirms relationships usually start with contracts in the West while personal relationships between individuals from the firms are usually a consequence of interfirm relationships. Shou et al. (2011) argue that Guanxi is beneficial for information sharing and trust building between firms. Also Gao et al. (2012) state that in China business relationships cannot be separated from personal relationship. Yang and Wang (2011) argue that such personal relationships can be shifted into relationships on firm level.

Gao et al. (2012) state that Guanxi is rooted from emotional commitment while trust in Guanxi is also based on personal trust. Yang and Wang (2011) have also emphasized the importance of emotional commitment in Guanxi building. They claim that friendship and the closeness between actors can strengthen the relationship between them. Shou et al. (2011) claim Guanxi is developed on the basis of friendship. They continue to point out that trust in Guanxi is built on Guanxi behavior, which is seen as a relational effort and affect investment. Song et al. (2011) in the Guanxi context trust has a very affect-based side, meaning emotional bond is important.

Voicu (2013) has stated that when he is doing business in China it would be confusing where the business dinner there is aiming at building up friendship compared to that in Sweden. He further states that at dinner the Chinese are interested in talking about private life while Franzén (2013) also has emphasized the importance of friendship in relationship building in China. Such experience of the need of personal relationships is shared by Laveborn (2013) who says that Chinese would always prefer to have dinner together with business partners and it is important that business partners can talk face to face. Besides, he adds that in order to maintain a strong relationship with his partners he would meet them personally. Hedebäck (2013) states that in Sweden business dinners are mostly on professional ground while in China dinners come before business and Chinese would expect information about personal life. He adds that it is difficult for him to adapt himself
to the personal talk in China. Jarhall (2013) admits that a personal relationship with Chinese counterparts would make it easier to conduct business in China. Wangzhi (2013) also describes personal relationships as crucial to successful business in China. He adds that it would be an advantage if a relationship could be established with a decision maker from the counterpart company. Also he says that the dinner is important when developing relationships.

With reference to the theoretical and empirical data, we consider that Chinese businessmen, to a high degree, have shown characteristics of the affective cultural nature when they conduct business communication with the Swedish businessmen. As soon as a business relationship starts, Chinese businessmen start to make efforts to build up personal connections with the Swedish actors. By seeking personal or affective connections they try to build up trust between the main individuals from both sides of the relationships. The personal connections and affective input that the Chinese actors have invested are not aiming at establishing pure friendship in this sense. Instead, the potential personal relationships between the actors serve as an important basis of the whole business. We can say that it is the premise of the business relationship in China. Without such a stage before the professional negotiation of business or if the personal relationship building process is rushed, less trust can be built up in the business relationship, which can probably affect the whole business communication following as personal trust and commitment play an important role in the business relationship.

We interpret it that as relational beings in the Guanxi context, the Chinese businessmen may see themselves as an important asset of the relationship building in business relationships. Different from in the West, affective interaction is required as an actor in business relationship as personal relationships come before the business relationship. Looking from the perspective of the Chinese businessmen, the personal relationship may not be built for their own interests. Instead the personal relationship is considered to be part of the business, as themselves are seen as an asset of the business relationship because eventually the personal relationship has to be shifted into an interfirm relationship so as to
carry out professional business talks. We consider that when interacting with the Swedish businessmen, the Chinese businessmen expect the same view on the relationship building of the Swedish actors.

Regarding the empirical data, the Swedish actors are not aware of the nature of Guanxi building. All the respondents do not use the word Guanxi to refer to the relationship in China, which we interpret as that they may have understood the relationship as the same as in the western context. It can also be interpreted as they are not prepared for the difference in business culture when it comes to relationship building when they do business in China. When they are trying to build up business relationships with the Chinese actors in China, they regard personal relationships between the actors from both sides as separate with the business relationships. In this sense it can explain the problems when the Chinese actors demand personal contact before professional business talk. It can also explain the fact that the Swedish actors feel “confusing” about the fine line between personal relationships and business relationships. The gap between the different understandings on the nature of personal relationship in business is considered by us as the main reason for the problematic aspects in when the Swedish actors carry out relationship building in China.

In addition, the neutral culture that the Swedish actors bear when they carry out business communication with the Chinese can lead to that the Chinese interpret their “ice-cold” as lack of commitment and enthusiasm while the Swedish actors may consider the Chinese actor as being unprofessional. As in the neutral culture trust is built through contract and agreement that is reached in the business, the Swedish actors would tend to seek opportunity to build up relationship through professional process in business. It explains that in a relationship Swedish businessmen would take the actual prestige of their partner into account, such as quality and productivity of the Chinese counterparts, which can also interpreted from the perspective that people from the specific culture tend to focus on facts. Meanwhile, Chinese businessmen would interpret signals released by the Swedish counterparts from an affective based view. When the Swedish partners avoid actions that indicate an intention to keep a distance personally the Chinese actors it would affect the
building of business relationship. Hence it would be considered as positive to the Chinese businessmen if the Swedish actors show the willing to have more affective interaction. In this sense, business dinner can be regarded as a platform where all the affective interaction can be carried out. When a solid foundation of personal relationship is laid, a strong business relationship would come naturally between the Chinese and Swedish parties.

In this part we can see that the empirical data are consistent with theoretical data describing on the characteristics of Guanxi and relationship in China. The personal aspect of Guanxi presented in the theory part has been much reflected on the practice of the interviewee’s experience of doing business in China. Also with the theoretical data, the nature of the cultural characteristics have been tested and explained.

5.3. Adaptation to differences in business culture in China

Having discussed the business cultural differences in China and the relationship in business in the country, here we are going to analyze the adaptations that the Swedish companies have made in order to better manage the business relationships in China.

5.3.1. Language issue

They further argue that there are barriers of communication process due to that the people taking part in the communication are from different cultures. The barriers could be related to different languages, different experiences of life and differences in cultures which could refer to ethic, religious and social differences between different partners with different culture backgrounds (Chaney et al., 2003). Gesteland (2005) argues the communication gap between the two cultures is the largest reason for misunderstanding.

Hedebäck (2013) means that one great reason for communication gap is language. He means that many of the Chinese actors cannot speak English, which forces them to use interpreters. Jarhall (2013) however has admitted that the level of English capability of Chinese today has improved compared to a decade ago and today the interpreter is not as
necessary as before. Seen from Laveborn’s (2013) experience, language is the biggest problem that he has faced with when doing business in China. Due to the lack of English capability of his Chinese counterparts, Laveborn (2013) has found that with an interpreter in between he cannot be sure whether the information delivered is accurate or not. However Hedebäck (2013) mentions that they developed their joint venture so it would be easier for them to handle this language issue. Jarhall (2013) is on the same track and says that they have a Chinese division that handles most of the contacts in the country. Even Laveborn (2013) is telling that to simplify this dilemma they considering a joint venture.

We consider that language has been a main barrier for the Swedish companies doing business in China when they try to establish relationships with Chinese companies. Due to the Chinese’s lack of the ability of English, which is the common language of the both sides, there is not enough communication of high quality between the parties. Also the difficulties with the language which the Swedish actors have encountered when doing business in China can further affect relationship building. However, we think that the situation can vary with the different sizes of companies. Both Laveborn (2013) and Hedebäck (2013) work in small firms, which probably only cooperate with minor Chinese firms in China where the English is limited. While both Franzén's (2013) and Voicu's (2013) firms are large firms, which presumably cooperate with larger international firms in China where the English has become more influenced, and is in many large companies the corporate language.

We can also confirm that even then some of the companies see the language as a barrier, have them realized that it will be much easier for them to doing business in China if they establish some sort of business in the country. Due to their establishment by either a joint venture that enables them to leave the communication part to their Chinese partners or the establishment of a sale office with Chinese salesmen that takes care of the language dilemma, they will be able to come closer and create better opportunities for them. By taking the empirical data into consideration we can state that it can be connected to the
theory. We can clearly conclude that due to the language issue there has been a communication gap between the Swedish companies and their counterparts in China, by which they have been able to adapt to through some sort of establishment in the country.

5.3.2. Lose Face

The diffuse culture compared to the specific culture also includes a way of talking and reason that is not very clear and strictly to the point. The concept of “losing face” (Trompenaars & Hampden-Turner 2012, Ambler & Witzel, 2000) is something that is connected to the diffuse culture, which in this research is represented by the Chinese side. Trompenaars and Hampden-Turner (2012) also say that people from a specific culture find it easy to inadvertently insult their opposite diffuse partners.

Making someone “lose face” is also something that many of our respondents are aware of. They know parts of the diffuse culture that China represents and they are cautious when it comes to give criticism publically. Voicu (2013) develops this by telling that he is very careful so he does not get anyone to lose face, e.g. to formulate a question differently so he does not offend anyone, which can be a risk for the relation. Laveborn (2013) agrees and emphasizes the importance of adapt and consider what and how you tell them. Hedebäck (2013) substantiates this, he tells that it was the first thing he learned about the Chinese culture and it has been of great importance Franzén (2013) claims Chinese employees often defend themselves against criticism by blaming others, it is possible to interpret that as a way of saving the face of oneself by blaming someone else. Jarhall (2013) on the other hand is aware of the fact that losing face is something that affects people but he means that the Chinese do not take it as hard as in other Asian countries, such as Japan.

The phenomenon of losing face as well as the quite unclear message that Chinese employees use are two things a Swedish company must be aware of, otherwise errors could occur. If a person has misbehaved or made a mistake in Sweden, the person has to accept being told what is wrong, even in a group. We believe that putting someone on the edge in Sweden is not a very big deal, but this study shows that the same behavior in China could
endanger the relation. Chinese companies seem to not have the culture of straight answers and as a foreigner in the country on business, you should be aware of the fact that a “Yes” does not always mean “Yes”. Out of politeness, the Chinese tell you “Yes” not to turn you down, even if they know they cannot for example deliver on the said date. Due to this we can also validate that the Swedish firms have been forced to change their ways of working and adapt themselves when dealing with their counterparts in the Chinese market because of their way of react to criticism. Taking this into consideration we can also in some way draw a parallel to the importance of personal relations in the Chinese business society and corroborate that the Swedish companies in many situations adapts to build a lasting successful relationship.

The concept of “lose face” is well known and as the theory describes it, it is well known in the Chinese business culture. By looking at the empirical data we can see a clear pattern from the respondents that the theory is correct and it is a large cultural difference Swedish company has to adapt to. The respondents admit that they are placing great emphasis on this, as they find it a bit hard in some situations to control themselves when the cooperation with the Chinese counterparts totter.

5.3.3. **Learning**

Marx (1999) argues that it is vital for international business actors to expand their thinking and to learn new things within the new culture. Marx (1999) further explains that social identity and skills may differ in different culture and must be taken into account by international businessmen. Freeman et al. (2006) state that international relationships can involve uncertainty which refers to that psychic distance is one of the main reasons seen as the barrier in international relationships. Ford et al. (2003) argue that when it comes to building up actor bonds in business market social distance should be taken into account.

The empirical findings show that all respondents are aware of the importance of adapting to the Chinese culture. Franzén (2013) and Laveborn (2013) tell that it will do well by knowing some phrases and some of the culture when establishing a relationship in China.
Franzén (2013) tells further that they often try to stay one more day in China if they have a new member in the firm with them so he will be able embrace more of the culture even if it is for a short period of time. Voicu (2013) are on the same line and argue that you really need to be open minded and flexible so you can adapt in an easy way. Hedeback (2013) agrees and says that it would have a positive impact to know about the culture and some phrases. He further mention that they have manage most of the culture differences by hiring a person that are well aware about the Chinese system and have been able to learn them the difficulties within it. Jarhall (2013) adds another aspect as he puts emphasis on the physical attribute. He is in line with the others when it comes to phrases and manner but means that the way of dressing is important as well as sending the right person for the meeting. By that he means sending a person who has a respectable position that suits the position of the host.

By looking at the empirical findings and the theories we can clearly state that the Swedish respondents have good apprehension about how to deal with psychological shocks that can appear in a new culture. We believe that by having this attitude, it is easier for the Swedish firms to manage the culture differences and their relationships in the Chinese market. We can argue that all the respondents have been trying to act as an interculturalist where they have been aware of the culture and tried to adapt and find a middle way in how to think and behave. Even though the adaptation of these things can be seen as very small, we do believe that it can be of high importance for future business then it is in the end all about personal relationship. By taking this into consideration we can then state the respondents have been acting in a way that matches the theory. This also strengthen the significance of change the way to act and think when deal with another culture.
6. Conclusion

In this chapter we are going to present the result of our study, which will answer our research questions and also offer recommendations for the Swedish companies and further research on the subject.

6.1. What are the main cultural differences perceived by Swedish companies when managing business relations in China?

The first problem statement in our thesis treats the cultural differences between Sweden and China and how Swedish companies perceive them when managing business relations with Chinese counterparts. We can see that the empirical data shows several cultural differences that the Swedish companies have to deal with during their business session in China. We have been able to state that the time orientation is a main cultural difference that Swedish companies encounter. Nearly all of the respondents agreed that the Chinese actors had a very time-optimistic attitude and that they expected that the Swedish companies during visit had to stay for a longer time. We can conclude that this statement may well be due to the Swedish companies’ tight schedule when visiting the Chinese actors. However the empirical data shows that the Chinese actors have some sort of double standards, as they are able to work very quickly when they have got down to the business. We can however conclude that the time orientation can vary depending on how tight schedule the Swedish companies have and the faster the Swedish companies can get to the business the less time is required.

We have also ascertained from our empirical findings that there is a cultural difference concerning the contracts. While the Swedish companies strive for a contract with plenty of paragraphs the Chinese actors strive for a softer contract and the Chinese actors are always expected to renegotiate. This is something we have understood concerning the Swedish companies and through the analysis we can conclude that this has a lot of do with the
uncertainty concerning the judiciary which is seen as unreliable in China. Through the empirical findings have we also been able to see that the language is a cultural difference that affects the Swedish in a negative way. With reference to the fact that the actors are from different cultures and societies, without communication of high quality, the already big cultural distance, namely psychic distance cannot be abridged. Also due to the lack of real quality communication between individuals from the parties the process of building up actor bonds can be impacted negatively. Furthermore, there will be more uncertainty involved in the business considering the fact that information cannot be exchanged directly between the parties.

Focusing on the business made in China by Swedish companies, we have realized that there is a big difference in how the two sides establish new business relations. When the Swedish businessmen seek to sign papers as soon as possible, Chinese want to meet the potential partner to develop a feeling around the person. If a Chinese company should invest in a new cooperation the managers want to get to know the intentions of the foreign company and through that reach a level of trust in the relation. That is why business dinners and other activities outside the conference rooms and offices are extremely vital to attend, in good manner. The business dinner is explained to be a very common forum for businessmen to get to know each other. There are of course other activities similar to it, but the dinner has in the literature and in this thesis become the symbol of a bonding activity outside the four walls of an office.

Of course, the business dinners are a key point in any part of the world, but the conversation outside the working world is known for its importance in China. The trust established outside business, that later show to be central in business is a large contrast to Swedish companies. The Swedes are transaction focused, they do of course enjoy the activities but would rather secure the deal and then in peace, have the chance of meeting interesting people and trying exotic new things. Yet, another distinction between these cultures is that Swedish business people are first and foremost representing the firm, and the Chinese are searching to relate to the person behind the facade of the business card.
However once the relation is established it seems to have a chance to last longer in China where the basis of the relation or friendship is not fundamentally relying on business. This in comparison to the relations in Sweden shows a significant difference of relationship management. In Sweden the relation is really put to a test if the business between the companies is terminated.

The businessmen interviewed for this project were very well aware of the concept of Guanxi. Guanxi can be used and managed in different ways. We have seen proof of both its positive and negative sides. It can be seen as small gestures for one and other, but some look upon Guanxi as bribery in disguise. Once you reach Guanxi there is a social system of services and favors to follow. Being familiar with the system could raise the probability of success, but many times there are companies acting on the line between legal and illegal.

Apart from Guanxi, the term of “losing face” is frequently discussed related to the culture in China. We have found through literature and empirical findings that this concept can form a problem, as westerners want to be able to raise the voice and make a statement from time to time, to set the a descending situation back in order. This is something that could affect a relation as it is sensitive for individuals to be publically pointed out for mistakes. However, there are certain question marks for this as this is a point where we could see flaws in the generalization of the Western and Asian culture, and words among the interviewees were said about the Chinese not being as vulnerable for criticism as people in other Asian countries.

6.2. What adaptations have the companies made to the business relationship management in China?

Language was considered as one of the main barriers as the Chinese businessmen are not good at English while the Swedish actors cannot speak Chinese either. When the Swedish companies are doing business in China, psychic distance between the individuals is high. The language difference between the two countries has caused a lot of uncertainty in doing business in China. Referring to the fact of the language difference, the Swedish companies
have made efforts to learn Chinese phrases which are meant to shorten the culture difference, so as to further benefit the relationship management when they are facing Chinese counterparts. Meanwhile some Swedish companies that we interviewed also are considering establishing sales office or joint venture with Chinese partners, through which the language barrier would be reduced as local employees and the Chinese partners would be contributing in the business with local Chinese businessmen.

As in China when companies are building up interfirm relationships it is always important to have a solid personal relationship with the actor from the counterpart’s side. There are some behaviors for the Swedish companies to learn and adapt to the Chinese business culture so as to benefit their relationship management. The Swedish companies have realized the significance of not to make their Chinese counterparts “lose face” by not criticizing them in front other people. Also the companies have tried to interpret the responses while relating their “Yes” and “No” to the phenomenon of “not losing face”. It means that the Swedish companies have learnt not to take a Chinese businessman’s answer for granted as the Chinese culture and business culture is so different than the Swedish culture, which is reflected to the behavior and the way of thinking of Chinese businessmen.

6.3. Recommendations for companies

We recommend the Swedish companies to be aware of the cultural differences that exist between the two countries when they are doing business in China. We do not think that Swedish companies should take the Chinese actors behavior in relationship building for granted without considering the cultural root behind the phenomena. When it comes to personal relationship accompanying the business relationship, the Swedish companies should see it as a part of the whole business relationship instead of connecting it to the personal relationship in the context of the Swedish culture. To solve the actual possible problems it would require a higher ability of English language of Chinese companies or by learning Chinese can shorten the psychic distance between the companies as which is considered to be positive in relationships building in China. Also it would be beneficial for
the Swedish companies to consult local professional business people so as to better interpret the Chinese actors’ actual need behind their behavior. Based on the better understanding of the Chinese culture, especially business culture, the Swedish companies could adjust the way they manage relationships with their Chinese counterparts, so as to better deal with the contract issue and time schedule. In a word, better understanding and being open and flexible are the key words of better managing the business relationships with Chinese companies.

6.4. Limitation

In this study, as we are limited by the length of the time of study, the number of companies are therefore limited, which has lead to that the result of this study cannot be generalized or applied to every company. Furthermore, different parts of China have various values and culture traditions and the Chinese companies that the Swedish companies mentioned also involve different industries and the companies are located in different parts of China. Thus the specific factors such as the Swedish and Chinese businessmen’s education background, personal experiences and the area inside the countries they come from have not been taken into consideration, which could have resulted in a different conclusion.

6.5. Future research

A further research could focus on a larger number of companies in a specific industry which are doing business in different areas China. In the future study, comparisons can be made between the impacts of culture differences on the relationships between Chinese companies from different areas, or the studies can focus on companies from one certain industry.
7. References

7.1. Literature


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Appendix – Interview Guide

- What is the most significant difference between the Swedish and the Chinese culture?
- How would you describe the process before a contract is signed, compared to the Swedish procedure from the first contact to done deal, would you say one is talking in the same time frames?
- What is your experience in the connection between contracts and relations?
- How would you compare the negotiation styles in the conference room?
- Have you noticed any differences in the way Chinese are talking to each other in the organization?
  - If so, which are the main differences?
- Would you say there is a difference in the way Chinese employees are taking responsibility for things or own initiatives?
  - Do you think it is connected to that if they would take initiatives or responsibility they are vulnerable if they will be unsuccessful?
- What experience do you have concerning the Chinese business people’s ability to keep the time?
- Do you find it difficult to really trust the answer if you ask for example about a deadline?
- If something goes wrong in business with the Chinese connects how do you work around it to not disturb the relation?
- How would you describe the importance of:
  - Trust? Relations and networks? Investment of time and money?
- What are your thoughts on business relations in China?
- How do you approach a new customer? Are there certain stages that have to be passed?
  - Is it much different form when you already know the customer?
  - How would you compare it to Sweden?
- Are there obstacles that make it hard for you to communicate with your connections? If there are, what are there for any?
- How would you say the situation changes once trust is earned and a relationship is built?
- Have you encountered any situation concerning bribery, if so, how did your company react?
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